board the Salyut-6 research station broke the 139-day record for man's longest stay in space. Bomb killed a woman and in-Madrid bar frequented by Left-

wingers and intellectuals. cinerator thinking they were

coast a month ago. Page 4

- Contents---

Computer leasing: Lloyd's Selling off State-owned aclStrasbourg Assembly: Editorial comment: Italy: Applifors seek help 7 on wages and jobs

Today's Event
TV and Radio
UK News
Unit Trusts
Weather
World Trade pic of marcial Diary SURVEY Mana Co News For Intest Share Index "phone 01-246 8026

FINANCIALTIMES

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**20p



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Regional Development Grants

Special Develop-

Development area

Intermediate area

ment area

NEB SEEKS TITANIUM AID

New New plant and buildings

machinery and works

20 nil

Northern Ireland is treated

separately.

high as £1.000 for plant and £10,000 for buildings have been

factory-building programme to

Continued on Back Page

News Analysis, Page 3

NEB's plan to create an

electronics holding company

out of its stakes in Ferranti, ICL and other concerns, is

likely to be vetoed. Back and

a mid-term General Election

This means Mr. Reddy will

explore all possibilities of form-

ing a new government. - Under

seems likely to be a coalition and it is possible that a

Within the Janata Party, the

make Mr. Ram the leader in

place of Mr. Desai had gained

Mr. Ram and Mr. Charan

Singh were even in 1977 con-

tenders for the prime minister-

ship and differences between

them led to the choice of Mr.

cars are at very high levels, and may be even higher by the end of September, the company

may be ready for a trial of

benefits and for pensioners

appeared to be the UAW's priority, continuing high

priority, continuing high inflation is increasing pressure

from its membership for a sub-

company in the U.S. with sales

last year of \$62.3bn. It spends

about \$32.7bn a year at sep-

plier companies, and most accommists agree that a long

GM is the largest industrial

Although earlier in the year

strength with the union.

improvements

stantial pay rise.

With its profit margins sub- strike at GM would deepen the

considerable momentum.

present circumstances.

will take place.

Regional aid cuts

total about 20%

The rates of grant for plant

in intermediate areas may be

The object of these changes

is to concentrate aid in the worst-hit regions, covered by 10

special development areas, where the 22 per cent rate of

grant is likely to remain

The minimum size of project

qualifying for aid is to be

threshold of £100 for plant and

£1,000 for buildings. Figures as

The National Enterprise

Board wants the Government

to provide up to £20m immediately to build a

titanium production plant for

Rolls-Royce aero engines. The

MR. MORARJI DESAI stepped Defence Minister, Mr. Jaggivan does not favour the holding of

Minister of India, yielding to The situation has been com- which would greatly favour Mrs.

place over the weekend. The

initial break from the Janata

However, the Janata parlia-

Sabha There is no certainty

There is no precedent for this

General Motors in key pay talks

GENERAL MOTORS and the cluded its triennial bargaining ago. GM is anxious for as

United Aulo Workers today round without a strike for 15 modest a settlement as it can start crucial negutiations on a years and several factors this obtain. Since its stocks of new

year point to a period of ex-

The everwhelming problem

for both sides is the high infla-

east by the administration as

tion rate-now officially fore-

likely to be 10.6 per cent for

this year and more than 8 per

Health and welfare benegts

which the c ompanies provide

their labour costs. At the end

free have substantially increased

of last year, the average hourly

increase over three years.

wate and benefits costs of GM's

The car industry has not con-stantially lover than hee years recession forecast for this year

U.S. bank sues Lloyd's for \$10m

in India, since a Prime Minister

raised from the

Political crisis in India

2s Desai stands dewn

BY ANTHONY MORETON AND JOHN ELLIOTT

Wide-ranging cuts in Government regional aid for

industry, aimed at reducing the cost of the pro-

gramme by about 20 per cent, are expected to be

announced today by Sir Keith Joseph, the Industry

He will also announce that the Government is maintaining most selective industrial aid schemes, including support for major inward investment that the dovernment is maintaining areas which qualify for development aid, with some places either losing their assisted status, or downgraded.

The enter of area to be cuts in the areas which qualify for development aid, with some places either losing their assisted status, or downgraded.

These are the first of a series and buildings are to be reduced, of policy decisions to emerge with development areas coming

from the Industry Department down from 20 per cent to about during the ten days before 15 per cent, while the 20 per Parliament rises for the cent grant for buildings only

unchanged.

Later this week the Govern- phased out.

ment will make decisions about

the future role of the National

Enterprise Board, including

sales of some of its assets such as the holdings in ICL and Ferranti. This will be followed

by statements on the shipbuild-

ing and aerospace industries and perhaps on splitting the

Office into two corpora-

Today's announcements in the

Commons are likely to receive

a hostile response from various

areas of the country and from

some parts of industry.

But the Government hopes that it has defused the risk of

a major political row by concen-

trating its regional aid in areas

Of greatest need, and by spread-

ing some of the changes over

BY K. K. SHARMA IN NEW DELHI

of the ruling Janata Party in

has asked Mr. Desai to remain

fical crisis für. Desai has agreed

uin defeat in a parliamentary

BY JOHN WYLES IN NEW YORK

new three-year contract which

on the U.S. economy over the

Similar bargaining sessions will also start with Ford and

Chrysler later this week. But

as the September 14 expiry of

the car industry's agreement

approaches, attention will be increasingly locused on GM.

This is because GM is virtu-

ally certain to be the UAW's strike target if negotiations are

deadlocked by mid-September.

Ford was hit by a strike for

Chrysler has been virtually ruled out by the union because

s financial weakness.

next 12 months.

Parliament.

down yesterday as Prime Ram.

desertion of most of his Cabinet disintegration after the large-

Mr. Desai's resignation, after parliamentary party came when

constitutional Minister, formed his own group

(untouchable) President is expected to play a

23 months in office, places an Mr. Raj Narain, former Health

burden on the President, Mr. in the Lok Sabha (Lower House

Sanjiya Reddy, who must now of Parliament) when last Mon-

until this process is completed, mentary party remains the

to resign only after it had about the process of elections of

vote of confidence today. in India, since a Prime Minister
There is considerable confuhas never had to resign because

sion here as to what will hap, he or she had lost their

pen. The strongest contender majority. Several untested con-for the Prime Ministership is stitutional issues arise, and the

Deputy Prime Minister and key tole. It is known that he

could have a significant impact tremely tough bargaining.

Ford was hit by a strike for 497,000 hourly paid workers overal weeks in 1976 and 497,000 hourly paid workers become circually was \$14.09—a 30 per cent

become clear that he faced cur- the new Prime Minister.

At the end of a week of poli- largest single group in the Lok

and a new Prime Minister. He day's session began.

colleagues and of the members scale defections which

three to four years.

expected to

NEWS SUMMARY

BUSINESS

No. 27,916

Secretary.

summer recess.

Hillier Parker

PROPERTY ADVISERS

London - West End & City. Edinburgh, Paris, Amsterdam,

Sydney, Melbourne, Brisbane

GENERAL

Tran Ankara welcomes siege foreign boost investors for PLO

 IRAN'S planning chief, Ali Akhar Moinfar, said his country welcomed foreign investment and heped for participation in The Palestine Liberation Oressential industrial projects. ganisation stands to make con-siderable political capital out of provided this involved the transfer of technology. Page 2 its success in negotiating the surrender early yesterday of the 6 BELGIAN franc continued to

four young terrorists holding 13 hostages in the Egyptian be the weakest member of the European Monetary System but Embassy in Ankara. remained within its maximum The Turkish Government, which flew four PLO officials from Baghdad to intervene in permitted divergence against the ECU. A rise in West Germany's key lending rates on the drama, is expected to show Thursday was preceded on Wednesday by widespread interits appreciation by allowing the PLO to open an office in Ankara

—a decision on which it has vention by central banks selling D-marks. On Friday, however, the D-mark was 0.59 per cent been dragging its feet for three stronger on an adjusted basis Turkish Premier Bulent Ecevit, clearly strengthened by his Government's firm handling of the situation emphasised strength and was second only to the Italian lira, which remained the most improved currency in the

10: EMS JULY 13.1979

EGU Divergence:

from which no currency (except

the tire) may more more than

bashet of European currencies

reference to the weatest cur-

rency in the system, which is the

self-employed taxpayers. Page 3

6 EEC Finance Ministers

meet in Brussels today to discuss

the implications of recent oil

price rises, which are expected

to reduce the Common Market's

trade surplus by nearly half

A HIGH LEVEL of interest

rates should be eased by early September, according to stock-

broker Wood, MacKenzie and

O OXFAM, the UK-based over-

sees charity, increased its

income by 26 per cent to £9.7m

in 1978-79 and its disposable

income by £1.75m to £8m.

@ RUDOLF WOLFF, London

metal brokers, confirmed it had

Co. Page 3

CAMPANIES

base line in the top chart.

that no concessions had been system. The D-mark was quoted made to the terrorists. Three at BFr 16.0404 compared with people died earlier in the 45- a ceiling level of BFr 15.0740. hour siege. Back Page

Rhodesia reality

There is no point in anyone closing his eyes and refusing to see the new realities in Zimbabwe Rhodesia since the May elections, Kenya's Vice-President Mwai Kibaki said. He urged Africa not to appear to be encouraging Africans to fight Africans. Back Page

Left campaign

Labour Left wingers will continue their campaign to reduce the powers of the party leader and reinforce their own influence on future policy when the home policy committee under Mr. Anthony Wedgwood Benn today considers a critical report on the party's last election manifesto. Page 3

Mosque attacked At least six people were killed and 52 injured when a grenade within the European Monetura was thrown into a mosque in Sustem-the "grid" of cross rates the Iranian port of Khorramshahr. The Iranian horder town of Mariyan was under the control of autonomy-seeking Kurds degrees by which each currency after fighting in which 22 people noun diverge from its "central rate" against the ECU riself a

died. Page 2 Laker to sue

Sir Freddie Laker warned as his Skytrain service from London to New York resumed that he was determined to go to court to regain the £7m his air- @ REVENUE from uncovered court to recain the tria most line lost as a result of the grounding of his DC-10s, Page 3 full operating year of the "new approach"—the policy of investigating in depth selected to the policy of investigating in depth selected

British-born Jesuit priest Father Bernard Darke died in hospital in Georgetown. Guyana, after being stabbed while taking photographs of a clash between demonstrators outside a court-

Ennals plea

David Ennals, former Social Services Secretary, urged the Prime Minister to back the proposal by the Standing Con-ference on Refugees that a British mercy ship should pick up Vietnamese boat people in the South China Sea.

Away to Italy

Great Britain completed a 4-1 hourne Davis Cup tie and now face a tough away fie against Italy in September. Page 9

Briefly ...

agreed in principle to buy Eurocommodity Chart Services, a Two Soviet cosmonauts on wholly-owned subsidiary of Eurocommodities, the company that went into voluntary liquidation with estimated losses of more than £500,000, Page 3 6 AMP, the U.S. electrical terminals manufacturer, expects earnings for the second quarter

About £18,000 in dollars went I up in smoke in Israel when of about \$30m (£13.5m), against police fed them into an in-O NATIONAL TRADING of

Salvage workers righted the South Africa reports a 53 per W Tarpenbek, the German tanker continuences in prestar profits or which capsized off the Sussex to R2.15m (£1.15m) for the six coast a month ago. Page 4 months to June 30. Page 13.

syndicates for \$10m punitive Lloyd's damages. Its action arises various insurance companies for its insurances and cover its from computer leasing insur- a total of 8628m in connection obligations to the financial in- ances which are expected to with the controversial computer stitutions which had backed its has ever experienced.

As part of its action Bank of Federal in connection with its Lincolnwood is suing the First computer leasing insurance National Bank of Boston, the arrangements at Lloyd's. bank which has been engaged by Lloyd's to help in the settle-pater leasing policy as ment of claims on computer collateral for loans it arranged leasine insurances.

Other defendants in Bank of finance its operations, Lincolnypood's actions are All Computer leasing insurances lives to arrange for a later date Risks Ltd., an American insur- were arranged by leasing com- for reply ance broker, and Federal Least panies to insure against their

underwriters

Bank of Lincolnwood is seek-

to recover \$600,000 from

Federal used its Lloyd's com-

with Bank of Lincolnwood to

THE BANK of Lincolnwood of ing of Virginia, a computer customers terminating leases Chicago, U.S., is suing 55 leasing specialist.

Lloyd's of London underwriting Federal is already suing If they did, the computer leasing company could claim on

> operations. is claiming \$28m from Lloyd's in unpaid in-surance claims. The remainder of its \$628m action is a claim for damazes.

Lloyd's has been given until August 13 to answer both the Bank of Lincolnwood's and Federal Leasing's actions. But moves are in progress in London by Linyo's legal representa-

Background, Page 10

CEGB chooses U.S. reactor

By David Fishlock, Science Editor

THE CENTRAL Electricity
Generating Board has finally chosen the foreign design of nuclear reactor it wants to build as a demonstration project in

If all proceeds smoothly, the nuclear industry believes it may be ready to start construction of the new nuclear station, of about 1,200 MW, early in 1981. The choice is the Westinghouse Electric pressurised water reactor (PWR), one of four designs of PWR the CEGB has been investigating since the Labour Government approved

its plan in January last year. This plan called for construction of a big PWR in Britain to discussed by Ministers, but it is thought that levels nearer a design approved by the Nuclear Installations Inspec-torate of the Health and Safety £500 and £5,000 have been

Executive. These changes will provide the lion's share of cuts in the Its aim was to build this demonstration in parallel with regional aid budget, which at the latest design of advanced present costs £500m a year for gas-cooled reactor (AGR), in England alone. Further savings will be in the Government's order to compare the time and cost of construction.

The CEGB is now in the final stages of discussing its choice with the Nuclear Power Company, Britain's main reactor design and construction group, before submitting it to the Government.

Major features of the choice are the considerable assistance it believes Westinghouse will provide in transferring techno-logy to Britain and the fact that 38 Westinghouse reactors more than those of any other supplier - are already operating in the U.S. and Europe.

The CEGB's decision will be a blow to the hope of a new_

international nuclear consortium called RNC (Nuclear) set up late last year by Rolls-Royce. Rolls - Royce's collaborators are Northern Engineering In feet of water, and Conoco, dustries, the North-Eastern operator for the field, maintains engineering group embodying that even in such relatively

bid for an international market for its System 80 PWR. So eager was Combustion Engineering to secure the British contract as its first reactor sale overseas that it made available to the CEGB a realignment of political forces full safety report, including details of the reactor design. going far beyond anything Westinghouse has disclosed.

tussle will be between the two Also rejected by the CEGB Deputy Prime Ministers - Mr. Ram and Mr. Charan Singh, At are designs by the Stemen submeetings of Janata leaders in Lidiary Kraftwerk Union, and by the past two days, the move to Babcock and Wilcox of the U.S.

More North Sea oilfields to be developed

BY KEVIN DONE, ENERGY CORRESPONDENT

FOUR North Sea oil groups will approach the Government in the next two months for per-mission to develop new offshore oilfields at a cost of more than £1.5b¤.

Conoco, the U.S. oil company, and seven other companies including the British National Oil Corporation and the British Gas Corporation, have decided to press ahead with the develop-ment of the Hutton Field. At the same time the Thistle Feld group, for which BNOC is

the operator, will soon ask the Government for permission to develop a further oil accumula-tion in block 211/18.

In addition to these two projects a group led by Mara-thon Oil of the U.S. is expected

to file a development applica-tion with the Energy Department in early August for the £600m-£700m development of Brae Field, and the Mobil group is close to seeking per-

planned to use a revolutionary platform design which has not been used for a full commercial

The eight-member group decisuble as the north ded last week, after several of the field to cap an extra 50m months' discussion, to develop barrels of recoverable crude the field by using a floating reserves. tension leg platform instead of conventional fixed steel plat-

the east of the Shetland Islands, between the Cormorant and Breut fields, will be an important proving ground for the sort of technology that will probably be used for developing oilfields that are found in particularly deep water

The Hutton Field lies in 482 that even in such relatively -1983.

The Hutton Field is a relatively small North Sea field with The Mobil group, which recoverable reserves estimated wants to extend Beryl Field, oil. It could cost £600-£700m to Hess and Texas Eastern.



develop. Design contractors should be

appointed by the end of the year and Conoco hopes to bring the field into production by early 1984. Peak output is likely to average a little over 100,000

The Hutton Field is spread over two North Sea blocks, 211/7 mission to extend the Beryl and 211/28, and will be Field with the construction of developed by a group of eight a second platform. a second platform.

For the Hutton Field it is

RNOC, Gulf, Amerada Hess,

Amoco, Mobil, British Gas Corporation and Texas Eastern. In the Thistle Field BNOC is planning to install up to six subsea vy-lineads to the north of the field to cap an extra 50m

The subsea development could cost £60m-£90m and is the first step to exploiting The Hutton Feld located to several unconnected oil structures in the Thistle block. The partners in the fleld are BNOC. Burmah, Charterhouse, Deminex. Santa Fe. Tricentrol. Ultramar, Gulf and Conoco.

The Brae Field will be developed with a conventional fixed steel platform. It is likely to have a peak output of .100,000 - barrels a day and is expected to start production in

Reyrolle Parsons and Clarke shallow water a fension leg Members of the Brie group shallow water a fension leg Members of the Brie group platform is already compeditive are Marathon (operator). This was the grouping through which Combustion through which Combustion much more marked economic Canada, Siebens, Saga and Engineering chose to make its

at about 250m barrels of crude includes British Gas, Amerada

DECISION ON BNOC SOON

The Government's decision on the future of the British National Oil Corporation is expected to be made known soon. But until then, delays in confirming offshore licences

may stop new exploration work beginning this success. While the Energy Department is urging an increase in drilling, the oil companies will not act until their liceners are

Where When Who What Why?

Increased costs, reduced profit margins and expansion at a price! Yes. We know the problem well. We solve it for someone every day. We've done so for 6000 years. So we've got the experience. That's why we recognise that the search for the right location can leave you punch drunk. Straight answers to straight questions are a must. So we don't deal in

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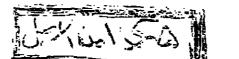
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for a straight answer contact Leslie Austin-CrowerscFRICS, Chief Estate Surveyor Northampton Development Corporation 2-3 Market Square, Northampton MY13EN



BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

day put the finishing touches sensus, was to be the most important speech in his political carrer and perhaps one of the most significant delivered in modern times by an American head of state

His nationally televised address was not merely ex-pected to provide the outlines of new energy initiatives but also to lay bare his feelings on the sense of drift be detects in the country and how he can reverse the tide.

Journalists who spent Friday lunching with Mr. Carter the Camp David Presidential retreat reported that the President was "a deeply worried man," concerned at

Six killed

in south

the collapse of his own credibility and at the pervasive national mistrust of both politicians and institutions in the public and private sectors. Mr. Carter is said to have admitted to many of the

nearly 150 people he has consulted in his 11 days of seclusion that he has not provided the sort of leadership the country expected, partly because he feels he has been too insulated from the wide rang of views he ought to have been tapping. This per-ception of isolation has been a common complaint from presidents over the years. The details of the energy plans are expected to

fleshed out today when Mr.

Carter makes speeches in

Kansas City and Detroit. But he is said to be considering multi-faceted ambitious programme designed to cut U.S. oil imports by as much as 5m barrels a day by 1990: the current level is just over 8m

This may be achieved by a major drive to develop synthetic crude, restoration of his standby authority to ration petrol, greater exploitation of coal and other sources of energy, creation of a National Energy Board to direct major projects and eliminate red tape, possible invocation of oil import quotas, and some action to move domestic oil and gas prices more quickly to world levels.

Iran 'open to joint ventures'

BY OUR OWN CORRESPONDENT

VIOLENCE broke out yesterday in the southern town of Khorramshahr in some of the ugliest incidents since fighting began there at the end of May between Iranian Arabs seeking autonomy and the Persian community.

by grenades

Six people were reported killed and more than 50 injured when grenades were thrown into a crowd of several thousand people gathered at a mourning service in the town's main mosque for a revolutionary guard killed in Khorramshahr

Revolutionary guards later attacked the home of the leader of the Arah community. Sheikh Mohammed Taher al-Shobbeir Khaghani, where three or four more people were reported to have been killed.

Admiral Ahmad Madani, Governor General of Khuzestan province, went yesterday to Khorramshahr to investigate the

the life of Ayatollah Razi be incorporated into the budget Shirazi, head of one of the after economic studies on indusrevolutionary committees operating in the north of the

Also in Tehran, the trial has of a former health minister. Shojaedin Shaikholeslamizadeh, arrested on corruption charges by the Shah's government last autumn.

IRAN WELCOMES foreign in- did not expect the budget vestment under certain con- details handed out yesvestment under certain condetails ditions and is hoping for foreign participation in essential industrial projects, provided this involves the transfer of technology, according to Mr. Ali Akbar Moinfar, its planning

As an example of the kind of foreign investment Iran wanted, Mr. Moinfar pointed to the huge Iran-Japan petrochemical company joint venture in which a Mitsui-led Japanese consortium has a 50 per cent stake. Original investment in the project was set at \$2bn,

but is now up to \$3.3bn. The Minister did not comment on the many other joint ventures in which foreign companies have invested, most of which are still under review. The main outlines of Iran's \$34.7bn budget were made public on July 1, but four days later the Government announced the nationalisation of key trouble.

- industries. Mr. Moinfar said

Meanwhile in Tehran, an vesterday that changes as - a

attempt was made yesterday on result of nationalisation would

> try had been completed. The budget would be for-warded to the Revolutionary Council for review and its final shape would depend on the council's view, he said.
> In view of the Revolutionary Council's role in the economic

terday to be of any real signi ficance in interpreting future for the economy.

Mr. Moinfar's budget does not provide a clear picture of the Government's development plans, and there is no breakdown of expenditures by economic sector. In reply to questions concerning specific areas such as agriculture and mining Mr. Moinfar said only that "adjustments will be made as the need arises."

The Government's reluctance to be more precise in its plan-ning, combined with the threat arbitrary changes by the clergy is effectively paralysing economic activity in Iran and has led to a serious deterioration in private sector confidence.

Many foreign investors are pessimistic about the future of their interests in Iran than at any time since the revolution and are considering pulling out altogether.

Oman price up

OMAN is reported to have increased the price of its crude oil by about 20 per cent, back-dated to July 1, from \$18.30 per barrel to \$22. Reuter writes from Doha. In April, Oman increased its oil price by about management of Iran, economists 22 per cent from \$14.96 a barrel.

Giscard restates Pacific role

BY TERRY DODSWORTH IN PARIS

FRENCH PRESIDENT Valéry Giscard d'Estaing last night choice about its future. began a week-long tour of the country's Pacific territories, in which he is expected to clarify France's aid policy to the area. its economy from its present The trip will also take in a

visit to the French nuclear test site on the Muroroa Atoll in Polynesia, and brief stop-overs in Abu Dhabi and Singapore for official talks.

The president's visit to Abu Dhabi, where he will meet Shelk Zaid bin Sultan Al Nahayan, president of the United Arab Emirates, is seen as an important element in the vigorous diplomatic effort France is currently making in the Arab world. It follows only a week after M. Raymond Barre. the Prime Minister, returned from Iraq with an encouraging new commitment of oil supplies. and coincides with another senior ministerial visit to Saudi

Abu Dhabi is France's third selling the country some 10m

tonnes a year.

The South Parific tour begins E in New Caledonia, where a recent election confirmed the the political framework of exactly double the deficit in the down in the second half of this France's internally autonomous overseas territories.

livered tomorrow in Noumea, the capital of New Caledonia.

to allowing the region a But this will be combined with a promise of continued aid to help the country adapt of the Mururoa installations, over-dependence on nickel production, as long as it retains its links with France.

From New Caledonia, M. Giscard d'Estaing will fly on to Wallis, also in the western range of nuclear devices. These Pacific, for a brief three-hour are to be fitted to its multitple visit, before moving on to French Polynesia. He will make further speeches there, stress- land-based missiles. No blasts ing France's attachment to its are scheduled during the Presi-Pacific territories. The French dent's trip.

future development through exploitation of seabed minerals. The French President's tour used for underground nuclear testing since the halt of atmospheric explosions declared soon after M. Giscard's election in 1974, comes at a time when France is developing a new warhead M4 missiles for use in its nuclear submarines and

pect of considerable

£383m Italian trade deficit

see the

BY RUPERT CORNWELL IN ROME

largest supplier of crude oil three years. It compares with a after Saudi Arabia and Iraq, surplus of L65bn in April. According to figures pub-lished here by ISTAT, the national statistics institute, the country's cumulative deficit for

same period of 1978. The overall January-May In a speech due to be de-returns tend to suggest that the vesterday by Sen Filippo Maria vered tomorrow in Noumea, blame lies less with a sharp Pandolfi, the Treasury Minister, rise in the oil deficit, as might

ITALY HAS reported a trade with a deterioration in the deficit of L709bn (£383m) for balance of other items.

May the second worst single While the "oil" deficit has monthly figure for more than stayed almost constant at just over L3,000bn in the first five mouths, Italy's "non-oil" surplus has dropped more than L540hn to L1,817bn. This trend is not entirely surprising, since growth rate for 1979 the first five months of this year between 4 and 5 per cent is region's wish to remain within reached L1,357bn (£742m), expected, despite fears of a slow-

The forecast was repeated who also predicted another paypresident is expected to be expected after the OPEC ments surplus in 1979-although underline France's commitment price increases this year, but below the 1978 record of \$8bn.

Rebel tribesmen lack co-ordination and leadership

Afghan regime maintains its hold

BY OUR FOREIGN STAFF

more than a year ago

THE PRO-SOVIET regime in Afghanistan is still considered secure, despite an increase in rilla fighters is estimated at are being drafted from colleges rebel activity during the last between 3,000 and 5,000, armed few weeks which has meant that mostly with captured Russian Kabul has lost control of more assault rifles or the old British than half the country. 303 rifles Western analysis believe that the area.

the ruthlessness and efficiency now so audacious that even the of Mr. Nur Mohammed Tarraki's main road to the border with Government is still a match for Pakistan is unsafe for military the Moslem tribesmen opposed to his left-wing reforms, who part-time fighters, still also lack strategic coordination, centending their fields and minding tralised leadership and internal

The prospect of a strategic when the rebels' control extends embarrassment for the Soviet to the limits of the main towns. Union, if the Government were to sail, is offset by the belief, able to rely on the tough, well-that even a Government of rebel organised ranks of his left-wing tribesmen would look to Moscow for support, as did the previous firm. The key elements in the regime of President Daoud. This armed forces—the tanks, the is despite the tacit support elite commando units and the given to the rebels by neigh- air force—are also loyal. But bouring Pakistan, where about casualties have thinned the 110,000 tribesmen have taken ranks of the 110,000-strong reduced because most of the refuge since the fighting began army, as have desertions projects have had to be halted border after the attack

vehicles. Yet many are only their herds. Most of the fight-

ing takes place after dark, So far Mr. Tarraki has been organised ranks of his left-wing Khalq Party, which have held

including those of company and The number of active guer- even battalion-size units. Men and from amongst the unemployed to make up strength. In one instance, convicts from 303 rifles traditionally used in Kabul's main prison were also enlisted.

Military assistance from Soviet advisers is described as being very close and active, and includes taking part directly in the fighting. The Soviet advisers usually wear Afghan army uniforms, a habit which they started when serving under the regime of President Daoud before it was overthrown in

Kabul these days is described as still calm and relaxed, but few people venture out after dark, even well before the 11 pm curfew. Another problem facing the Government is foreign exchange. Inflows of

North Sea cod quota

By Christopher Parkes

WEST GERMAN fishermen took "substantially" more cod from the North Sea last year than they were entitled to under an agreement with their Common Market partners, Herr Gerd Mocklinghoff, Germany's Federal Director of Fisheries, admitted at the weekend. In an agreement reached eight Community

countries in West Berlin in January last year, West Germany was allocated a cod quota in the region of 26,000 tonnes. In the event, German trawlers took up to 10,000 tonnes more, officials said. Britain had no part in the agreement, which was reached at the height of the battle over

a common fisheries policy, when the stubboraness of Mr. John Silkin, then Minister of Agriculture, led the eight to seek an interim pact among themselves.

The news stirred interest in the British Ministry of Agriculture yesterday and appeared to confirm charges made on television by Mr. Silkin that catch quotas were being flouted.
The Ministry commented that it had noted the news "with considerable interest" and that the high catch seemed "odd." given the agreement on quotas Mr. Peter Walker, the Minister will undoubtedly use the information as a lever in his attempt

German officials said the catches occurred during an exceptional season when cod were plentiful in the German Bight and when the traditional saithe fishery in the Southern part of the North Sea produced disappointing results.

to gain concessions for UK

Some German fishermen have nowever, been fined for exceeding the quota and they are pro-testing that Dutch, Danish and other Community fishermen who also took more than they were allowed have not paid any penalty.

The British Flshing Federa tion said yesterday it was annoyed and alarmed at the over-catching. "If the Germans went over the top by this amount, what did the others do?" a spokesman asked. He said that considerable damage had been done to future cod fishery prospects in the North Sea since the bulk of the

fish taken were less than three years old and had not yel motured and spawned. spawn at seven years of a

Offer to Irish tanker drivers

By Our Dublin Correspondent THERE ARE hopes of an early settlement of an unofficial disrettiement of An dispute involving oil tanker drivers and jetty workers in Dublin, which had threatened to upset Ireland's delicate oil supply situation.

Union officials were optimistic that proposals made through the Federated Union of Employers would provide a basis for agreement.

The men have been complaining about safety standards at the jetties, but the general view is that their work-to-rule and overtime ban has more to do with a 25 per cent wage claim, and that the timing of the dispute was to take advantage of the present supply difficulties.
Petrol supplies had been stabilising after panic buying and hoarding in Many and June.

The Irish Tourist Board was attempting to salvage this year's seaton through promotions in London and the guarantee of supplies of petrol to tourists.

The dispute almost immediately produced a return of the petrol queues. There were predictions that should it last

another week filling stations throughout the country would have to close. Mexico oil record

MEXICO reached a record oil

production of 1.609m barrels a day, the Pemex Corporation announced yesterday, Reuter reports from Mexico City. lexico is expected to increase its daily production of crude oil to L8m barrels by the end of the year.

Joint search CHINESE Vice-Premier Li Xiannian said yesterday that

China will agree to a Japanese proposal that they should jointly develop underses oil near the Senkaku Islands, AP reports from Tokyo. The islands are claimed by Japan, China and Taiwan. Mr. Li expressed & willingness to set aside the dispute while exploring for oil.

Luxembourg coalition LUXEMBOURG Premier Desig nate M. Pierre Werner yesterday announced that his own Social Christians and the Libera's had agreed to form a coalition government for the next five years Reuter reports from Luxem bourg. M. Werner, whose party won 24 of the Parliaments 59 seats in last month's general elections, will be sworn in as Prime Minister today.

Pol Pot attack

VIETNAMESE LED repulsed a fresh attempt by Khmer Rouge guerrillas loyal to ousted Kampuchean Premer Pol Pot to recapture the border town of Poipet, according to Thai officials, Reuter reports from Bangkok. Thailand had foreign aid have been severely refused to admit Khmer Rouse men who tried to cross the

Carter battle to stop 'drift' Bonn admits exceeding Bonn admits UK mission fails to impress' exceeding Bonn admits of the import not offset the E740m trade gap Electronic Components Indus, the director responsible, Mr.

HOW MUCH did the import not offset the F740m trade gap Electronic Components Indus, the director responsible, Mr., promotion mission despatched (the 1978 figure for the UK's tries Federation says that his Alan Moreton-Smith, said; by Japan to the UK early this bilateral deficit with Japan) and initial fear that too many UK. "Selling capital equipment is year really achieve? The could in any case include a based employees of Japanese not like selling woollies over the year really achieve? The answer, boiled down from the responses of half a dozen or so industries which were on the mission's visiting list, seems to be "wait and see.'

Four months after the 100odd businessmen who came to the UK in what was billed as Japan's largest overseas purchasing mission boarded their aircraft for Tokyo, what has emerged in the way of firm orders still looks distinctly unimpressive.

Wily British businessmen who are aware of the mysterious workings of the Japanese decision-making process are not put off, however. Several of them are still awaiting telex messages reading: "We have decided: please deliver tomorrow," or something to that effect.

Optimists about the eventual results of the mission point to the fact that its leader, Mr. Talichiro Matsuo, is no stranger to Britain or the mission business. He led a smaller version of the 1979 exercise in 1973 and subsequently presided over the British Market Council, an organisation established at the behest of the Ministry of International Trade Industry to promote trade with the UK

Mr. Matsuo is a former MTTT official who has become president of Japan's fourth largest and, it is sometimes said, most aggressive trading company, Marubeni. He is not, in other words, the type of man who would be willing to act as a figurehead in a venture which had no prospects of success. The success that has been achieved to date-£54m worth of orders signed during the mission's visit and announced

just after its departure—may

his colleagues see things in that The main effect of the mas tacts it has already begun to light. One which does not is sion's visit was that the make with Japanese trading the Yorkshire-based wool textile Japanese and UK components companies. Business, when it industry for which Japanese and UK components companies.

Special Correspondent reports.

decide to put an extra show at had some less appreciative com-the British Export Marketing ments to make about the Centre in Tokyo, scheduled for mission. He feels it was largely

worth of orders) comes from assembly operations. tation to the Japanese visitors a five-month Mr. William Barret of the but got no immediate business. 26 per cent.

could in any case include a based employees of Japanese not like certain amount of window companies had been included counter. dressing, such as orders that in mission disappeared when would have been placed anyway. it was found that the Japanese But not all the industries which buyers "worked hard and

industry for which Japan is makers and users now under-

• The much heralded Japanese trade mission to Britain earlier this year has left many UK industrialists disappointed. However, the more patient among them may find that some benefits will emerge in time. A

already a big market, and could stand each other and that the mission included a small group become considerably larger. British side may start learning looking for opportunities to in According to Mr. Geoffrey from the Japanese. Lr. Varret vest in Britain. Although a Richardson of the National says UK components suppliers high proportion of this group Wool Textiles Corporation the have begun studying the were bankers who were not in Matsuo mission placed good Japanese zero defect concept a position to make injectment orders for products which Japane as well as the need for the very decisions on behalf of their does not normally buy from close links between buyers and clients, there was also a Britain. The total amounts of users that normally exist in representative from Missibishi already a big market, and could stand each other and that the Britain. The total amount of users that normally exist in the orders was not more than Japanese industry.

£500,000 but the corporation. Mr. Bob Scott of the Enginwas sufficiently encouraged to seeing Industries Association in Scotland two weeks after the

Wool textiles exports to Japan are currently worth around defined purchasing targets. £50m a year, mainly in hears. What would be far more useful suiting, but the industry thinks in Mr. Scott's view, would be to there may be £5m to £6m worth; have carefully selected groups of orders to aim at in the new of invited Japanese buyers visit areas uncovered by the Massio a "matched list" of UK engin-

in terms of millions of pounds in Tokyo. industry whose interest is not so the exercise was worthwhile much in selling to Japan as in were the Tube Investment supplying Japanese factories in Group and Hawker Siddeley Britain, such as Sony and International For Hawker Massushita, with their Welsh TV Siddeley, which made a presentational for the state of the

a "political manifestation" with a distinct lack of clearly Another relatively favourable exhibitions to be staged at the reaction (though not expressed British Export Marketing centre n Tokyo. Two companies which expect

Nevertheless the company found the mission a very good means of reinforcing the conmainly to involve supplying equipment for Japanese con-tracts in third countries. Hawker Siddeley particularly has its eye on China where It thinks Japan

may get the lion's share of big contracts. Apart from its various purchasing divisions, the Matsuc mission included a small group Electric which bought the Tandberg TV assembly farmry mission's refurn.

The Department of Industr takes the view that the Tand-berg deal might not have been tied up nearly so smoothly and swiftly if the Matsuo mission had not come. It is hoped that Mitsubishi's purchase of the factory (at Haddington, east of Edinburgh) will secure 70 to 80 existing jobs and perhaps double that number in future What all this adds up to may

well be a large portion of pions of orders) comes from Two companies which expect hopes and a rather small por-electronic components ne direct results but still felt tion of solid business. British exports to Japan have, however, been growing faster in the pastmonth or two than in the early. months of the year. They were up by 56 per cent in May against tation to the Japanese visitors: a five-month year to year to gain

Impo-Expo

to London

NEARLY 50 developing cour

tries are participating in the London Impo Expo 1979 which

begins today with a week-lone

symposium on how to sell to the

The symposium, to be attended by 200 delegates of

developing countries, will be opened by Mr. Neil Marten Minister for Foreign and Commonwealth Affairs and Minister for Overseas Development

A week's exhibition at the

Wembley Conference Centre

ment to help the Third Work

returns

By Patricia Newby

Common Market

Administration.

Sharp increase in China trade

HONG KONG — China's sion of many of China's strated its full recovery from foreign trade in the first six performance targets. ... the 1976-77 slump by notching months this year totalled \$13.6bn (£5.9bn), up 43.2 per cent from the same period in 1978, according to Peking's official Xinhua news agency.
The agency said imports reached \$7.6bn, up 59.9 per cent, while exports stood at

\$6.1bm, up 26.8 per cent. Among the imports, machinery was up 130 per cent, steel and other metal products 83 per cent, chemical fertilizers 20 per cent and textiles 34 per cent. Imports of food, edible oil and sugar also registered increases. The dispatch did not give a breakdown of exports.

Brij Khindaria adds form

Geneva: China's foreign trade experienced a boom period in for the second year running. dampened in the medium-term tons. because of the downward revi- The steel industry demon-

13m tons per year-for the next per cent in 1978. several years. This compares with imports

totalling 9m tons last year, and an average level of about 5m tons during the 1971-77 period.

The total value of imports rose by 50 per cent last year, while exports increased in value by 29 per cent. While electric power and energy supplies continue to bottlenecks constraining economic growth, coal output years. increased by 50m tons in 1978

1978, but the upsurge will be reaching a total-volume of 600m

An economic survey prepared output figures that exceeded the by the UN Secretariat says 1975 peak by 20 per cent to that China has taken a policy reach 31m tons last year. But decision to maintain high levels: the rate of growth fell slightly of grain imports—about 10m to from 14 per cent in 1977 to 12

since 1975.

during the three previous

trialised countries reached will be opened by Princes \$8.8bn in 1978, up from \$6.8bn Alexandra on July 23. Thi in 1977. They were only \$2bn will be followed up by three

The ITMF figures show that

in conventional spinning equip-

ment the biggest markets for

machinery over the past five

years have been India, which

accounted for 13 per cent of spindles purchased, followed by South Korea (118 per cent), and Brazii (7.5 per cent). The

UK was the 18th biggest pur-

In Europe (the USSR apart)

Italy has been the main investor

in both weaving and spinning equipment for the past five

years, with Germany also invest-

ing heavily. In Asia, Japan was the leading investor in shuttle

and shottleless looms, and in

notor spinning, while in South

the bulk of investment in all

Chalabout 16w ship sales were condition last week, but as sales Eggar Forrester notes, second-band prices are now for

many ship types, coming close to the heavily subsidised prices

Shiphuilders have seen 2

arrong pick-up in inquiry as a result of these trends, but this

is still far from producing the

volume of orders needed to

prevent further large-scale yard

Costa Rica telephones

Cenerale Telephone and Elec-

brenics has been awarded a

256.4m (224m) contract to

provide computerised telephone

itching systems for Costa

Henre reports from Stamford. GER said the contract will be

inclamented in four phases through 1985 and will a vide

infiall and place in service silved program controlled and place in service stilved.

mities.

conversations between

and redundancies in

Russia boosts textile industry

THE SOVIET UNION has looms (which with the less able to use low grades of fibre embarked on a large scale sophisticated shuttle looms such as are likely to be available. expansion of its textile industry, form the two basic types) stood from Soviet cotton plantations. with major purchases last year at 3,361, a total exceeded only of new textile machinery, by the U.S. which took delivery according to figures published by the International Textile

Manufacturers Federation. In spinning, where there are two main types of equipmentconventional spindles and the newer rotor systems — the USSR last year received delivery of 551,644 rotors, bringing the Soviet share of machines delivered in the five years to 1974-8 up to 47 per cent of the world total. The next biggest buyer was the U.S. with 7.6 per cept of total world sales fol-lowed by Italy with 4.2 per cent. Soviet purchases last year alone amounted to one third of all rotors delivered over the past five years throughout the world,

and accounted for 80 per cent of all last year's deliveries been a big purchaser, though by no means so dominant. In 1978

SHIPPING REPORT

about shipping tycoons.

carriers in the Gulf almost

123.7 152.1

127.8

128.8

115.0

119.0

W. Germany

italy UK

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

rate obtained by such vessels last week's rates.

THE OIL TANKER market saw advantage of a brief shortage

the kind of excitement last week of vessels for immediate loading which usually features in novels. By the end of the week, the about shipping tycoons. market was breathless as

Within three days, the spot charterers held back business, charter rate for very large crude awaiting the inevitable decline

doubled, from worldscale 55 to charterers showed no interest almost worldscale 100, the best in concluding long-term deals at

Such explosions in rates offer dull by comparison, but indica-

quick and large returns for tions of a poorer Soviet harvest owners skilful enough to have than in 1978 are encouraging

positioned their ships to take owners of dry cargo tonnage.

World Economic Indicators

May 79 April 79 March 79 May 78 123.7 120.8 122.2 115.0

150.2

132.0

128.7

172.5

Feb. 79 118.0

INDUSTRIAL PRODUCTION

152.2

Feb. 79 130.0

109.5 128.8

131,7.

110.7

Jan. 79

117.0

Taking the past five years to-gether, the USSR is in third

place as a purchaser of shutfle-less looms behind the U.S. (18,144) and Italy (9,380), with total Soviet deliveries reaching 8,378 or 9.3 per cent of world installations.

Rotor or open-end (OE) spinning equipment, the area where
the USSR has concentrated its
investment, is capable of producing high volumes of low Indonesia and the U.S. installations.

medium quality yarns very economically, and for this reason it seems probable that output from Soviet plants is intended to supply an expanding domestically-orientated garment industry.

Finer quality yarns, such as In weaving too the USSR has are needed for more sophisti-been a big purchaser, though by cated products, can still only be produced on conventional Soviet purchases of shuttleless spindles. OE machines are also

awaiting the inevitable decline

Other shipping markets were

than in 1978 are encouraging

+ 7.6 +10.9

+:53 +:33

137.1

131.0 123.4

122.0

. 122.3

111.1

March '78

1970-100

1967--100

1970 = 100 1970 = 100 1975 = 100

1970-100

1975=100

in rates. Not surprisingly, available for new buildings.

Agricultural output estimated to have risen by 3 per cent last year, maily because of the first substantial harvests

Despite the drought which hit food production last autumn. the 1978 grain harvest reached a record 295m tons after having hovered at about 285m tons

China's total exports to indus-

results of the exhibition. This is the second Londor Impo Expo organised by the UK Trade Agency for the Developing Countries (UKTA) body set up by the Govern

> sell its goods. The first exhibi tion, in 1976 resulted in more than £25m worth of business for the 42 nations participating. Half the £300,000 cost of the project is being met by the EEC Technical assistance and 40 per cent of the funds are being pro vided by the Export Market Development Division of the Commonwealth Secretariat and the remaining 10 per cent is coming from the Overseas Development Administration Some 4,000 potential buyers from all EEG countries have been invited, and emphasis will be on manufactured and semimanufactured goods from de veloping countries rather than traditional commodities exports For example, India will demon

strate automatic electrical con-

trols for refrigerators and air

conditioning equipment. Tehicle

neadlamp assemblies, sealed

beam units and hand cutting tools. Peru will show steel and

and Tobago electric blenders and Pakistan surgical instru

Alcoa in \$765m plan Gulf VLCC rates almost double for Brazil

copper cable and wire. T

SAO PAULO - Alcon suna Mining, both of the have presented a \$765m nine-year investment plan to the Brazilian Government. The investment, the first mage of what could be a multi-billion dollar commitment, would be made through the Companie Mineira de Aluminio (Alcominas) of which Alcoa owns 6 per cent and Hanna Mining owns 32 per cent.
Mr. Alain J. P. Belda, who

will take over from Mr. Robert Slagle as president of Alcominas on July 17 said the \$765m will cover the purchase of the Aluminio S.A. (ASA) company. and the construction of a 100,000-ton-per-year smelter plus a 125,000 to-per-year factory of fiat-rolled aluminium products. ASA is a financially troubled Brazilian aluminium transform

210,000 tons per year of alumina and 90,000 tons per year of primary aluminium APDI

Pinancial Times sublished delibertoff Sundrys and Aprildrys S.S. rudstriptes sens \$250,00 per annuer. Second Lies, postège paid in New York N.Y. acti M. additional malling comme.

Revenue from detected tax fraud doubled

REVENUE FROM uncovered

employed taxperers in depth, sharp increase in jevel of profit. The figures are regarded by declared in several sectors. Spaint Inland Revenue officials. The Revenue handles the as justification for the policy larger and more important under which shoul 3 per cent of cases of evasion through 10 inner Schedule D are subjected in appure branch offices employed to rigorous examination. to rigorous examination. The accounts selected are those considered most tikely to disguise

According to a recent Parliamentary written answer by Mr. Peter Rees, Treasury Munister of State, in the year to October 31 the yield of tax, interest and penalties arising from detection of tax evasion was about £70m.

This compares with £37m in the previous 12 month period, during which the new approach was adopted in January, 1977, and their, including those relating the year to October 1976 the ing. to sub-contractors' tax revenue yield was £23m :

Inland Revenue officials say tax france doubled in the first that quite spart from the full operating year of the new specific yield from detection of approach the policy of self-employed tax france, the investigating selected self-new approach resulted in a employed taxpayers in depth. sharp increase in level of profit employed taxpayers in depth.

> ing about 120 staff, Additionally four special offices were set up in 1976, and 1977 in London Edinburgh, Manchester and Birmingham to tackle evasion and avoidance, employing about 70 staff. An-other special office, with about eight staff, opens in London next

> Finally, another 70 staff mem pers work in the board's investigation office in London nandling cases of fraud, forgery

exemption documents.

Stockbrokers forecast fall in interest rates

rates should be eased by early ence of money supply control to September, according to stock, allow easing of interest rates.

from the "extraordinary" surge ing increase of sterling bank in bank advances in the first lending should fall to about

mini-boom, consumer and retail sure on short-term interest borrowing should slacken while rates, although the Government the liquidity of the corporate is unlikely to allow a Minimum sector should benefit by £1ba Lending Rate decline before as a result of the rise in VAT better money supply figures for accruals.

Even without the banks rationing advances, there should therefore be a significant slackening in the demand for

the banking figures collected been changed to Aera Needles through July and provide the Group.

THE HIGH level of interest authorities with sufficient evidbrokers Wood, Mackenzie.

A similar view is taken by
In its latest economic stockbroker Sebag in its latest
circular, the firm says that review, which says that by
money supply pressure has come. Angust September, the underly-

has led in straining of the According to the firm lower corset system imposed on the lending, improving halance of banks.

However, with the end of the inflows will put downward present the payments trends plus overseas however, with the end of the inflows will put downward present the inflows will be inflowed the inflowed the

ABEL MORRALL NAME CHANGE

With effect from July 5, 1979, This should be reflected in the name of Abel Marrall has

Left steps up campaign to restrict leader

THE LABOUR LEFT will this week continue its campaign to reduce the powers of the party leader and reinforce its own influence on future policy. Labour's home policy com-

mittee, under Mr. Anthony Wedgwood Benn, will today consider a report prepared by the party's research department criticising the last election manifesto as "remarkably weak" in terms of party policy. The report will provide further ammunition for the Left in its bid to take over the party's levers of power. As part of that campaign Mr. Callaghan will on Wednesday be pressed to set up a special inquiry into

Labour Party. Labour MPs are to hold a second meeting on proposals put forward by Mr. Benn and Mr. Eric Heffer for restricting the party leader's power and

the role of the Parliamentary

Mr. Benn set out his objectives in a long and carefully prepared attack on Saturday on the "personal rule" enjoyed by Labour leaders both in Government and opposition. In a lecture in Bristol, he said that the "breathtaking scale" of a Prime Minister's patronage and power exceeded that of a mediaeval monarcch.

Wolff may buy **Chart Services**

By Our Commodities Editor LONDON metal brokers, Rudolf Wolff, has reached agreement in principle to buy Eurocommodity Chart Services, a wholly-owned subsidiary of Eurocommodities, the company that has gone into voluntary liquidation with estimated losses of over £500,000.

The deal will be put to a creditors' meeting called by Eurocommodities for July 25, when the proposal to go into liquidation will be considered It is believed the bulk of the company's losses were incurred in metals trading with a number

a computer databank.

World airlines plan to increase fares at Geneva meeting

BY LYNTON McLAIN

plans for a rise in air fares from
the autumn and British Airways paid overseas.
British Airways has also been is expected to be among the increase.

The rise, to be debated by the member-airlines of the International Air Transport Association, could be between 10 and 15 per cent. But this would not rule out a further rise in January if fuel shortages

April, but the latest meeting in Geneva was called as a matter of urgency after oil producers raised crude prices by an now being developed with average of 15 per cent two £250m of UK Government aid. weeks ago.

Trans World Airlines, which buys 10 per cent of its fuel on spot markets, said the cost was now a matter of "critical concern." TWA said a Boeing 707 flying from New York to London used 10,800 gallons of fuel. In 1973 this cost \$1,436. spot market.

WORLD AIRLINES meet in compared with the 55 cents it Geneva tomorrow to debate paid in July for domestic con-plans for a rise in air fares from tracted fuel and the 70 cents it

leaders calling for a substantial hit severely. It operates ageing Trident aircraft in Europe. These use fuel less efficiently than more recent airliners and the corporation expects a total fuel bill of over £500m in this financial year.

The airline is expected to start replacing its Tridents with more fuel-efficient Boeing 737s persist.

Aviation fuel now accounts for a quarter of airline operating costs compared with 9 per cent six years ago.

Air fares were last raised in April but the letest meeting in cal advances in efficiency possible through the use of the Rolls-Royce RB 211-535 engine,

The engine is expected to be Many airlines have been up to 25 per cent more efficient in its use of fuel than the current generation of narrow-their services. time it enters services, most of this advantage will have been eroded by the latest and future

increases in fuel.
In the meantime, British Airways' foreign earnings have been depressed by the fall in the value of the U.S. dollar. To Today contract fuel would cost counter its rising fuel bill, \$7.560 and over \$11,000 on the which rose by £100m more than expected in the last financial In international markets year to f450m, the airline is TWA has paid up to \$1.35 a certain to support moves in gallon for spot fuel, with most Geneva for an increase in fares prices well over \$1 a gallon of at least 15 per cent.

Laker will go to court over Skytrain losses

SIR FREDDIE LAKER warned managing director of Laker Airas his Skytrain service from ways, which owns six DC-10s London to New York resumed and has another five on order. airline lost as a result of the . Mr. Adam Thomson, chair-

Eurocommodity Chart Services operates as a separate entity, and Wolffs claim it will provide a new area of expertise in chart forecasting drawing on the chicago DC-10 crash which we have always believed it to in chart forecasting drawing on the chicago DC-10 crash which we have always believed it to in chart forecasting drawing on the chicago DC-10 crash which we have always believed it to in chart forecasting drawing on the chicago DC-10 crash which we have always believed it to inchart forecasting drawing on the chicago DC-10 crash which we have always believed it to be the control of the chicago DC-10 crash which we have always believed it to be control of the chicago DC-10 crash which we have always believed it to be control of the chicago DC-10 crash which we have always believed it to be control of the chicago DC-10 crash which we have always believed it to be control of the chicago DC-10 crash which we have always believed it to be control of the chicago DC-10 crash which we have always believed it to be control of the chicago DC-10 crash which we have always believed it to be control of the chicago DC-10 crash which we have always believed it to be control of the chicago DC-10 crash which we have always believed it to be control of the chicago DC-10 crash which we have always believed it to be control of the chicago DC-10 crash which we have always believed it to be control of the chicago DC-10 crash which we have always believed it to be control of the chicago DC-10 crash which we have always believed it to be control of the chicago DC-10 crash which we have always believed it to be control of the chicago DC-10 crash which we have always believed it to be control of the chicago DC-10 crash which we have always believed it to be control of the chicago DC-10 crash which we have always believed it to be control of the chicago DC-10 crash which we have always believed it to be control of the chicago DC-10 crash which we have always believed it to be control of the chicago DC-10 crash which we have always b Sir Feddie is chairman and

at the weekend that he was He said he thought the FAA was "determined to go to court" to a "first-class candidate for legal regain the £7m in revenue his action."

S. order which grounded his man of British Caledonian Air-DC-10s nearly a month ago. ways, which owns three DC-10s,
He said he was angry about said on Saturday he was
the U.S. Federal Aviation delighted to get the aircraft
Authority's "ghastly error of back in the air.

NEWS ANALYSIS—REGIONAL POLICY

Honourable record of aid for the less affluent

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

the Government unveils its new thinking on assistance for the regions. The last big change was regional development had to brought in by the Heath govern- wait for the end of the war. The ment - and the Conservatives war itself merely masked the have a more than honourable problems of what were then record of looking after its less-

affluent parts of the country. Not only Mr. Edward Heath, but also politicians such as Lord Hailsham, when he was plain Quintin Hogg, have been prominent in this field: And, of course, there is Mr. Harold Macmillan, whose allegiance to Stockton and the North East is now part of the oracles.

vatives (though they called themselves Nationalists in those days) with the passing of the Special Areas (Development and Improvement) Act in 1934 to alleviate the severe structural unemployment affecting the older industrial areas.

This was the era when Jarrow and hunger marches were on all and grants and generally spend the front pages, when Clyde-side was called "red" and sent fiery MPs to Westminster like Jimmy Maxton. And a firebrand called Emanuel Shinwell was about to return to Parliament -Durham mining constituency of Seaham, It was also a time when the Rhondda in South Wales country and this differential machinery and buildings and was one continuous street of widened after the middle 'fifties selective assistance was offered boarded shops.

Commissioners

As a consequence of the Act, two commissioners were appointed to promote economic development. One looked after centre. So tral Scotland and the other the North East of England, West Cumberland and South Wales. Today, these areas are still among those most in need and all four have parts designated as special development areas, which attract the top rate of grants.

Initial policies concentrated on relief for the heavy unemployment. It was only later that any attempt was made to balance the distribution of industry, though the early trading estates which were set up soon after

THE FIRST major change in the 34 Act were a combination growth points, which were regional aid for seven years will of both. By the outbreak of war, offered special help, were design be announced this week when more than 12,000 people had found work in leased factories. The real drive forward in

popularly called the distressed areas by providing full employment; it did nothing to solve the deep-seated causes of the decline of the heavy industries such as coal, steel, and shipbuilding and other Jabourintensive sectors such as the

railways. The first steps towards such a regional policy came with the now part of the oracles.

advent of Atlee's Labour Indeed, regional policy was Government in July, 1945. A actually started by the Conser- Distribution of Industry Act was passed which covered most of the pre-war special areas but which was a lot more interven-As such it might be called the real father of sub-

sequent legislation. Under this Act the then Board of Trade was empowered to buy land, build factories, make loans

Differential

While there was a degree of -for the third time-for the success, the older industrial areas continued to lag behind the prosperity of the rest of the when many of the shortages of for job-creating and other the immediate post-war years schemes. disappeared.

good" approach was true for Labour saw the opportunity and large parts of the country as the in the dying days of Macmillan's administration Quintin Hogg, amount when the Tories left then Lord President of the office in early 1974. Council, was sent on a fact-find-Capp country.

appointed and a year later situation.

offered special help, were desig-

nated. Regional policy, as opposed to practical help for certain areas, got its biggest boost from the Wilson Labour Government. Out of the Department of Economic Affairs, came the division of England into eight economic regions, with their own planning councils. Scot-land, Wales and Northern Ireland were treated as separate

Intermediate

economic entities.

The Wilson years saw a large expansion of regional activity, with the introduction of special development areas, ment grants, the employment premium, and, eventually, intermediate areas.

All this was too much for Mr. Heath, who immediately changed policy on investment incentives, substituting tax allowances applicable to a firm anywhere in Britain for the grants.

Ironically, though, it was a Heath measure, the 1972 Industry Act, which paved the way for even more intervention. In an effort to reflate the offer mandatory assistance for the introduction of new plant,

The Conservatives did not Macmillan's "never had it so use these measures widely but boosted them enormously. The amount paid out in regional development grants alone is now running well over £400m a year, probably five times the

The problem now is that the ing mission to the North East. areas have spawned, over the It was a trip which the publicists years, taking away the sharp loved as Hailsham sported a flat edge of assistance. The Labour cap for his travels around Andy government is thought to have come to much the same conclu-If the public face of govern- sions as Sir Keith Joseph but ment was flamboyant there were probably felt unable to act nevertheless important results. because almost all the areas it In October, 1963, the first would have had to prune had minister specifically responsible Labour MPs. So it has been left for regional affairs was to Sir Keith to tidy up the



Who built a modern university to rub shoulders with a Norman Cathedral?

An architect must tread carefully designing buildings to live in the shadow of a cathedral which

has dominated the scene for 800 years. If the new University buildings at Durham had aped the Norman Cathedral, the result would have been a denial of function. If, on the other hand, they had been designed without thought for their glorious neighbour, the price would have been the degradation, by association, of a landmark of our building heritage.

The greater part of the new buildings at Durham University have been built by John Laing.

They include departmental accommodation for Departments in the Faculties of Arts and Social Sciences, the Engineering Science building, three colleges and Dunelin House Several architectural partnerships have been involved. The result is a successful fusion of the old and the new which does not compromise the needs and techniques of today for the sake of compatibility.

Educational building is not a Laing 'speciality.' This advertisement could have featured Laing's unique experience of building today's cathedrals (Coventry, and the new Catholic Cathedral of Clifton, Bristol). Or docks in the Middle East. Or oil platforms for the middle of the ocean.

More than 20,000 people make Laing one of the biggest construction companies in the world. However, size alone is no virtue. At Laing our strength

lies not in our numbers, but in our expertise, and our understanding of how man can improve and not deteriorate his environment by construction. We say we make ideas take shape.

Perhaps we should qualify it, and say better ideas.

LAING make ideas take shape BY SUE GAMERON, CHEMICALS CORRESPONDENT

Motor overdrives could

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BRITISH invention which improving their vehicles per-

save 10% more fuel

tion expects industrial paints stock costs. and coatings prices to rise by at least 32 per cent by the end of the year following the in- affected than most major creases in oil-based raw material

Association said at the week-end that raw material costs had risen by up to 151 per cent during the 12 months ending in June this year: It said that over indirectly based on oil. the past year the cost of toluol increased 151 per cent; glycol ethers, 70 per cent; alkyd have heen forced by the con-resins, 26 per cent; styrene tinuing crude oil crisis and the monomer, 102 per cent; and phthalic anhydride, 61 per cent. But it said that so far UK paintmakers -- especially those

which accounts for 45 per cent

dates back to 1947 could save

the UK £2m a day in oil costs, it is claimed. The manufac-

turers say they could imme-

diately achieve a 10 per cent improvement in fuel consump-

The device in question is

overdrive equipment which cuts engine wear and noise.

means lower engine revolutions

and less pollution, according to

duced an overdrive for auto-

matic cars and is now attempting to revive interest in the

manufacturers at a time when

car-makers are committed to

COMMON MARKET attempts

to organise an energy con-

servation programme in the

past five years have made

It was only in 1974 after

the eil price rises by the major producing countries

that energy conservation was

of Lords committee

The company has just intro-

tion of cars and light vans.

GKN Laycock.

House

report.

report said.

THE UK Paintmakers' Associa- escalation" in chemical feed- second quarter at around \$300

chemical-consuming sectors by the oil crisis." About 80 per cent of its production costs were directly related to chemicals and of this, 60 per cent were for products directly or

The real danger, however, is that petrochemical producers tinuing crude oil crisis and the gasoline panic into yet another quantum jump in prices for the current quarter," the association said. It added that it exon the industrial coatings side, pected third-quarter contract prices for naphtha - a vital of domestic production—had oil-based petrachemical feed-failed to keep pace with the stock — to be \$50 up on the

a number of one-tonne vans.

other manufacturers achieve

generation of less-thirsty cars

and light vans are launched in

It was clear, however, that

satisfactory mechanism for

influencing events had yet to

The committee spoke of the

"low priority" given to the programme for the rational

use of energy. It was unsatis-

factory that a matter of such

impertance and urgency

should he the responsibility

be found, the report said.

fuel-savings

the mid-1980s.

vehicles

Slow progress made in saving fuel

s with existing until the new

a tonne. It forecast that ben-The paints and coatings in zene and styrene — two other dustry had been "more gravely raw materials — would rise by \$95 and \$70 to \$595 a tonne and \$950 a tonne respectively.

"With no end in sight to such rises on top of those already imposed, the industry knows it has an overwhelming case for urgent price increases, in particular on industrial coatings, the association said. Short-term forecasts were for a 15 per cent increase in prices by October with a further 15 per cent price rise by the end of the year.

Decorative paints had also been hit by increases in raw material costs, but because any new criminal offence and more water was used in their the traditional right to protest manufacture they had not been and demonstrate in public is unquite so badly affected as inaffected. Society changes and dustrial coatings. the law must change with it-

Salvage men right tanker Tarpenbek

By Lisa Wood

Overdrive went out of favour SALVAGE WORKERS yesterday when petrol was comparatively managed to right the capsized cheap in the UK and because 990-ton German tanker Tarpenof increasing use of automatic transmission and five-gear boxes. bek in Sandown Bay, Isle of

GKN Laycock's overdrive is Two floating cranes turned already fitted to the Triumph Dolomite, the MG Spitfire, the the tanker over. A boom had been placed around the ship and MGB and Volvo cars as well as when oil escaped from the engine room and a starboard But the company maintains tank, tugs and a light aircraft overdrive could help many fitted with spraying equipment moved in to deal with it.

> The pilot of the light aircraft had a lucky escape when the engine of his Piper Pawnee cut out and the plane ditched in shallow water. Mr. John Churchill, aged 40, of Worthing, escaped from his half-submerged plane with minor euts and bruises.

Dutch salvage experts are pumping out the last 160 tons of heav lubricating oil still in the tanker. Most of her original 1,600-ten carge has already been sumped out.

When the operation is com-pleted and checks have been made on any damage to the vessel it is planned to take her to a Continental shipyard for

The Tarpenbek collided with nother ship in thick fog off

or become irrelevant. THERE was no question of the The law must establish the basic framework but there will always be a vital role for the unionists, Mr. James Prior, voluntary observance of good The Government is not look-

"A strong and responsible ing for fights. After the events of last winter, that's the last trade union movement has a big part to play in our economic thing anyone in his right mind recovery," he told an Industrial could possibly want. Participation Conference The climate is right, and

denied by Prior

the time is right, for us all to get together and get things moving in the right direction. That way, everyone can bene-

The prime responsibility for rights and privileges of trade unions had to be exercised improving industrial relations would lie with employers and rade unions

The challenge for both would be to develop voluntary participation arrangements that would enable all affected by company decisions to make their contri

West Midlands drive to cut car commuting

Government mounting an attack

on the basic rights of trade

Emplyoment Secretary, said at

The purpose of the Govern-

ment's union reform proposals was to achieve a fair and

balanced framework of legal

"Our proposals do not create

rights and obligations.

responsibly, he said.

the weekend.

AN ENERGY campaign to per-stabilise subsidies. The bus suade motorists to leave their deficit last year was £10.4m. An cars at home is being launched increase would limit the rise to this week by the West Midlands an estimated £10.7m in the cur-Passenger Transport Executive. The theme is that if more

than half a gallon of petrol is used in commuting, it is cheaper to use public transport. Advertisements are being placed on buses, posters and 100,000 leaflets will be given out.

The executive's integrated bus and rail services are being extended as fast as possible and the number of passengers being The PTE is applying for a 16.5

Mr. Giles Shaw, Ulster Under-

Secretary, had talks last week

rent financial year, when the total subsidy needed is expected to he £15.2m, about the same.

The PTE's cross-city rail ser-vice from Four Oaks to Longbridge, is used by 46,000 passen gers daily and now a second line being considered, The redevelopment of the old

Snow Hill station into offices and shops provides an opportunity for re-opening the tunnel with Moor Street station. carried has doubled since 1974. If this is possible the second cross-city line would run from per cent increase in fares to Leamington Spa to Stourbridge.

U.S. engineering plant for Belfast

BY OUR BELFAST CORRESPONDENT

A U.S. Engineering Company is adapted for making centrifugal expected shortly to announce and progressive cavity pumps. that it will establish its first Mr. Shaw said there would be European manufacturing plant in Belfast, providing jobs for a significant spin-off for other Ulster engineering companies, up to 300 skilled workers. The particularly James Mackie and Sons, which has a foundry in company is understood to be the LFE Corporation, based near Boston, with nine plants

Arbitration Attack on unions may satisfy technicians

THE POSSIBILITY of conciliation in the Civil Service technicians' dispute has been raised by the Institution of Professional

Civil Servants.

Mr. Bill McCall, general secreary, said in a letter to Lard Soames, Lord President of the Council, that no real negotia tions on the dispute were taking place. While the union did not believe that the dispute was an appropriate one to resolve by arbitration. Mr. McCall suggested that conciliation might be a way forward.

The union has not yet eccived a Government response to Mr. McCall's letter. No particular form of conciliation has been suggested although it. would be reasonable to expect that the Advisory. Conciliation and Arbitration Service welld offer its services to the two sides.

The dispute, which has disrupted work in a wide range of Government technical estab-lishments, is over a claim for pay increases of between 35 and 47 per cent for 40,000 inch-micians and another 18,000 related staff. They have been offered between 15.5 and 24.1

per cent.
The missile frigate Cleopatra became one of the latest victims of the action when its trials after a major refit were halted by strike action by technicians at Devonport. IPCS leaders also claimed yesterday, that the submarine Sceptre developed a steering fault when the Royal Navy tried to take it out of Plymouth without the support of union tug crees.

In a further extension of the action, the IPCS will from today he calling out 12 technicians who are in charge of the repair and maintenance of the Metro

Printers delay the Economist

politan Police car fleet.

PUBLICATION of the current ssue of the Economist, delayed because of a dispute at the company's printing works in Brentford, is expected to be completed today.

Members of the Nationa Graphical Association stopped work last week over a manning dispute. They returned late on Friday afternoon and sime copies were produced.

Teachers to fight staff cuts

Financial Times Monday July 16-1979

BY ALAN PIKE, LABOUR CORRESPONDENT

Teachers executive is to urge which could only hurt children.
"strong opposition and action" "Local authorities cannot ex-"strong opposition and action" "Local authorities cannot ex-if Government spending cuts pect to leave vacant posts' lead to reduce staffing levels in untilled without damaging the

the new academic year. Our members are not going to cover up the danger to education arising from Govern he said. Parents must under ment spending cuts," said Mr. stand that if posts were not bred Jarvis, the general filled, their children's education.

Union leaders are concerned That local education authorities may begin to impose cuts by freezing appointments and recruitments when schools reopen after the summer holiday. The executive decision means local associations can Obtain national sanction at short notice for action to resist cuts. NUT members in individual

authorities that the union's mambers, with full national save schools from "these short-

who had left and not been re-

THE NATIONAL Union of sighted and ill-judged cuts,

standards of education children will receive when they go backto school after the holidate? would suffer.

The imion is to protest today to Mr. Mark Carlisle, the Education Secretary, against plans being considered by the Conservative controlled Tandon scramble Erith school, the only comprehensive in the borough. Dr. Walter Roy, thairman of

schools would be told not to said that the school and take over the work of colleagues amalgamation of a grants and a secondary modern w achieving good results an Mr. Jarvis said the executive there was no educational action would make clear to local justification for dismantling it The union fears that if the mambers, with full national reorganisation takes place it hacking would fight hard to may be followed by similar hard some schools from these short-action by other enthorities:

the NUT Education Committee

CBI makes its commitment to equal opportunity

British Industry yesterday ethnic or hattonal origin formally stated its commitment. To help companies to re action in that field.

federation's says in a members' bulletin, as a blueorint. The OBI bellet that employers had an important role to play in taking themselves the sort of police To do otherwise would be socially and economically short-sighted as well as being unfair to the individuals could be included in such a

The CRI's full statement in the bulletin, which was understand their personal approved by the CRI narrell responsibility for ensuring that monetion to "all forms of die was effective in such areas as crimination on the crounds of recruitment, promotion, train

CONFEDERATION of colour, race, nationality, and To help companies to review to the principle of equal opportunity in employment and called tunities, the CBFs Equal Rights for its members to take positive Panel has prepared a guide in crion in that field. what might be included in a Sir John Methven, the con-equal epportunities policy director-general, However, this is not intended comparies should decide for steps to ensure that would best suit the needs

of their own organisations.

The CBI suggests that aspects of employment with policy include the need for organisation's an anti-discrimination police marital status, creed, ing and dismissal of employees

NUJ expulsions reach 390

Union of Journalists members sions by the NUJ executive expelled from the union for Those expelled include activities during the nationwide Gerry Aemes and M previncial newspaper strike last Harold Pearson, who resign winter has risen to 390 follow- as executive members

NUMBER of National ing se latest batch of 249 exp

EXHIBITIONS

FIND OUT ABOUT MICRO PROCESSORS

and their applications COME TO MICROFACT - 17th and 18th JULY A TWO-DAY EXHIBITION OF THE LATEST DEVELOPMENTS IN HARDWARE AND SOFTWARE

At the Renold Building, UMST, Sackville Street, Manchester Open 10 a.m. to 7 p.m. — admission free Details from 067-236 4612

CONFERENCE HOTELS

MINI-CONFERENCES

Company Directors and Settlor Part-ners wight consider the advantages of snighing the exclusive use of this school simili hotst with complete privacy. Belexed atmosphere with antique-furniture, paintings, etc. For details - telephone or write in Resident Proprietor, Pater-Wade. STRATFORD HOUSE HOTEL

..... Stratford-upon Aven

Telephone 0789, 68288

XHIBITIONS ...

THE PROPERTY COMPANY OF GOLD-LATERY ENDINGS. LOC 138 Every Find St. Add. 40 of St. 100 and 3 her Find Superior 5800 and Company open 0.15-8.00 Mer. 50 C

BOURNEMOUTH MOAT HOUSE

For your next meeting we have conference moons for 10-300 people (vegetarian and special dieta catered or). 127 Bedmoma. Sporte facilities. Tel: 0202 252244/293311

ART GALLERIES FM GALLERY, AZ ON BANG SE, W.1. EF 6176. Exhibition of OLD MASIER. MININGS. Drill 27 July. Mon. 17: 5.20. Thurs hotel 7. W. GALLERY ES ON BONG SE W.1. W. GALLERY ES ON BONG SE W.1. EF 6176. PRESIDEN MINIATURES THURSDEE THE BONG SE W.1. THE BONG SE W.1. THURSDEE THE BONG SE W.1. THURSDEE THE BONG SE W.1. THE BONG S

NOTICES

COMPANY

RESERVE ASSETS FUND

Bearer Depositary Receipts BEARS Tissued by European Oversess issuing Corpora DIVIDEND COUPON No. 1

DIVIDEND COUPON No. 1
Coupon No. 1 will be payable from 16th July 1979, onwards at 1
Banque Interristionale a Luxene bourg. 2. Boulevard RoyalLixenthours, at the rate of US. 20199 per share, less any 1
additional withholding tax that may be deductible.

This amount represents the dividend of US. 2010, per alarm of 1% and 1% and

LIMITED

CARCLO ENGINEERING CENT

NOTICE IS, HEREBY, GIVEN AND TRANSPER: BEGISTER: Of the total and a principal and a principal

PUBLIC NOTICES:

Lism Bills Risuari 11,7.79 13 22 to makers 10,10,79. Callons were Ellim and ther

We have entitled the others because notice of fail pley and value for me Support from 10-3-20... Disco and respective, others to be because the fail of the property of the control of the

with its senior management during an investment-seeking adopted as an objective of of a service within a division tour of the U.S. of a directorate of the Com-Common Market pelicy, the A factory in Belfast would be Selsey, Sussex. 24 days ago. mon Market Commission. BY PAUL TATLUR **CONTRACTS AND TENDERS**

America.

SYRIAN ARAB REPUBLIC

MINISTRY OF OIL & MINERAL RESOURCES

General Company of Homs Refinery CALL FOR TENDER NO. 79097

HOMS-VI REFINERY EXTENSION GENERAL COMPANY OF HOMS REFINERY, a state

organisation of Syrian Arab Republic, announces its intention to invite bids (July 1st 1979) from qualified contractors for the construction of HOMS - VI EXTENSION. 2. The scope of the work includes mainly the con-

struction of the following process units and facilities: -Naphtha Hydrotreater (480.000 MT/A), CCR Platformer (380.000 MT/A), HDC Unibon (Kerosene/Gas Oil 370.000 MT/A), Penex Unit (100.000 MT/A), Revamping

of the existing Amine Unit and Sulphur Unit. -Power Plant: Two Steam Bollers with Two Steam Electric Generators of 25 MW each, with an Electrical

-Make-up Treatment, Demineralisation Plant and Ceoling Towers.

—Intermediate Storage Tanks. -Fuel Gas, Fuel Oil and Flare Systems.

—Sewers and Fire Fighting Facilities . . . etc.

3. All the New Process Units are licensed and designed UOP. Also, some of offsite facilities basic design is carried out by UOP.

UOP Project Specifications for the above, will be made available to the tenderer after being notified in writing, by UOP that such tenderer has entered into an appropriate non-disclosure and restriction of use agreement with UOP in connection with such information.

4. GENERAL COMPANY OF HOMS REFINERY would prefer to limit the number of contractors participating for this Project.

Therefore, bidding is open to internationally qualified contractors and firms who have a vast experience in construction of refineries and power plants. 5. Tenderers interested in execution of this Project may

obtain the necessary documents from Contracting Decartment, GENERAL COMPANY OF HOMS REFINERY, HOMS - SYRIA. The value of the Tender document is 10,000 U.S.A. Dollars to be transferred to GENERAL COMPANY OF HOMS REFINERY account No. 3001/28 in The Commercial Bank of Syria Homs - Branch No. 1.

6. Therefore, GENERAL COMPANY OF HOMS REFINERY invites those firms to submit their bids with any other relevant data addressed to:

HOMS - VI-PROJECT COMMITTEE GENERAL COMPANY HOMS REFINERY. P.O. BOX 352 HOMS-SYRIA

Telex No.: HRC 41004 SY Cable address: HOMSREFINERY SYRIA The terminal date for submission of Tenders data is 13.00

afternoon, local time, on Sunday, 30th September 1979. 7. Bid bond should be 2% of the total value of the Project and to be attached with the financial offer. The performance bond will be 5% of the total value of Contract.

8. The validity of the offer will be for six months from

9. Reasons for rejection of any offer will not be given.

THE HASHEMITE KINGDOM OF JORDAN JORDAN ELECTRICITY AUTHORITY

SOUTH JORDAN DEVELOPMENT PROJECT STAGE I - KARAK STAGE II AND SOUTH **GHOR RURAL ELECTRIFICATION**

Tenders are invited for the design, manufacture, testing, delivery, erection, commissioning and maintenance for twelve months of equipment covered by the following tender document:— Tender No. 47/78 (4041/05) for 117kms 33kV and 17kms 11kV single circuit overhead lines, nine 250kVA 33/0.4kV transformers, thirty-one 100kVA 33/0.4kV transformers, eight 100kVA 11/0.4kV transformers with associated ancillary equipment, low voltage distribution, service lines and metering equipment to supply 39 villages in Karak and South Ghor rural area.

The cost of one set of three tender documents will be 80 Jordan Dinars or £135 sterling. Tenderers will be required to produce evidence of substantial experience in work of a similar nature and magnitude.

An application has been made to the IBRD for a loan towards the cost of the project and where appropriate payments for goods and services would be subject to the terms of any Loan Agreement. A brief description of the extent of the work and general conditions permining to the contract may be obtained on written

> The Director General Jordan Electricity Authority P.O. Box 2310, Amman The Hashemite Kingdom of Jordan

Preece, Cardew & Rider Paston House, 165-167, Preston Road Brighton BNI 6AF, Sussex, England.

incurred by conderers in preparing their tender.

Applications should quote relevant tender number. Tender documents will be available from the Jordan Electricity Authority, and Preece, Cardew & Rider at the above addresses from 11th

Tenders are to be returned to the Jordan Electricity Authority Office before noon on Tuesday, 4th September, 1979. The Jordan Electricity Authority does not bind itself to accept the lowest or any tender, nor will it be responsible for any costs

SUI NORTHERN GAS PIPELINES LTD. **TENDER NOTICE**

Sui Northern Gas Pipelines Limited invite tenders from manufacturers for supply of Steel Linepipe on C & F Karachi Pakistan basis, as under:--

Tender Clesing Date Opening Date Total Oty. Material Required and Time and Time SN-4893/79 16" x 0.312" 25148 3-9-1979 3-9-1979 1100 hours. 1105 hours. API SLX Grade X46 52.27 lbs./ft.

2. Interested manufacturers are invited to apply for the Tender Documents specifying the above mentioned Tender Number to the following address:-

> The Purchase and Stores Manager, Sui Northern Gas Pipelines Limited, Monnoo House, 3 Montgomery Road, P.O. Box No. 56, LAHORE - PAKISTAN.

3. Final tender must reach the Company before the closing date and time mentioned above.

Tory compromise on local authority clash

issued.

GOVERNMENT will consultation on these matters, nee a carefully devised. There has been conflict omise solution to the combetween the Associations of announce a carefully devised compromise solution to the competing demands of two rival District and County Council; on Conservative-controlled asseciations authority

Under the proposals for selective local government reform aimed at reducing overlapping functions between county and district councils, the Government is likely to suggest that, with certain exceptions, responsibility for planning matters be transferred to the district councils.

The exceptions are expected to cover planning applications for mineral workings and national parks which will a county council responsibility.

On the other main area of controversy - transport and highway responsibilities — the Government is understood to favour maintaining the existing agency agreement between country and district councils,

its last weeks in office. These proposals would have involved handing back a range of powers. including education and social services, to the larger district councils. Mr. Michael Heseltine, Environment Secretary, hopes that the compromise proposals, which are likely to be included in a

these overlapping functions.

Following a meeting between Ministers and the associations

earlier this week both sides

refused to comment on the dis-

cussions before a statement is

avoid the effects of more wide-

ranging proposals suggested by

the Labour Government during

The Tory plan is designed to

local government Bill in the autumn, will minimise the con-flict between the associations while reducing costs and duplication of staff functions between the two tiers of local government

Oxfam income rises by 26% to £9.7m

charity, increased its income by 26 per cent to £9.7m in 1978-79 and its disposable income, after allowing for costs, increased by

Sir Geoffrey Wilson, Oxfam chairman, told the charity's annual meeting in Oxford on Saturday that the growth in income, coupled with a reduction in fund-raising and administrative costs from 18.5p to 17p in the pound, was "a very real

However, Sir Geoffrey warned come involved with sensitive

Oxfam's 575 shops continue boosted by victims of the to be the charity's main source. Nicaraguan civil war and the income showing a real Vietnamese expulsions.

LOCAL AUTHORITY BOND TABLE

(telephone number in interest . able sum bood parentheses). Year Grir. Manchester (061247 3760) 12 4-year 1.000 2-3 Grtr. Manchester (061247 3780) 12} + Fear . 1,000 45 Reading (0734 592325) 14 maturity 1,000 Redbridge (01-478 3020) 11; 1-year 200 Redbridge (01-478 3020) 12} }-year Wrekin (0952 505051) 12; annual 1,000 . 4-5

But is likely to suggest more OXFAM, the UK-based everseas growth, after allowing for infla-

tion at 10 per cent, of 15 per cent over 1977-78. Expenses during the year rose by £232,000 resulting in the improved ratio between adminis-

tration and disposable income The pattern of allocations remained similar to 1977/78 with health projects receiving 21 per cent, agriculture projects: 20 per cent, welfare projects 7 per cent, social development pro-jects 41 per cent and the remaining 11 per cent devoted to

However, Sir Geoffrey warned Sir Geoffrey said 1978/79 had that in an increasingly in been marked by "a growing secure world the charity will be refugee phoblem. In Africa alone increase with the charity to have refugee phoblem. In Africa alone in the charity to have refugee phoblem. asked more frequently to be he suggested there were now 4m refugees and he warned that the problems were still growing.

Annual Interest Life

Authority gross pay- Minimum of

ECHNICAL NEWS Infra-red effects on the eye

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

@ FINISHING

Advanced methods of surface treatment

EXTENSIVE blast preparation and surface finishing facilities less steel, copper and brass.

have been set up in Slough,

A range of 20 paint finishes have been set up in Slough, Berks, by Hankoe Stove Enameling Co. Convinced that manufacturers are becoming increasingly aware of the need to blast-eich and paint in controlled atmospheric condi-tions (all the processes will be undertaken in rapid succession). Hankoe has spent over £100,000 on re-equipment of its works at 23 Yeovil Road on the Slough Trading Estate (0753 22779).

In addition to the latest blasting equipment to treat all types of ferrous component. Hankoe plans to devote a considerable amount of its expertise to the fine-finishing of non- being made available

ferrous parts-aluminium, stainare to be offered and included will be an acrylic texture coat-ing which is not only extremely durable but has the added advantage of hiding minor defects in the treated component. A special section has been set up to apply 3M Nextel, a paint finish which gives the appearance of suede.

Hankoe says it will be able to

deal with complicated "one-off " jobs equally as well as long runs. Two infra-red ovens, equipped with automatic con-veyors, will be able to stove up to 300 items an hour. A collection and delivery service is

A continuous screen of water

is extracted at low level in the

gap between the bottom of the

water screens in the back of the

unit before being discharged to

atmosphere as virtually clean

cations topping up with a gallon of fresh water for each day's

operation is adequate.

screen and the water tank. The

Paint spray control

IT IS claimed that all types of spray finishing can be carried falling over the 3 mm fibreglass out in the Beaver range of washdown screen is devised to out in the Beaver range of washdown screen is devised to waterwash spray booths just ensure that the paintladen air introduced by Mascott Engineering of Ashford, Kent (0233 20401).

A range of eight standard air then passes up through three booths is offered in nominal widths from 1.5 metres to 6 etres (all 2.15 metres high). Water held in the 10 swg mild steel tank (capacity 2,046 litres for the 6 metres booth) is pumped to the top of the booth where it falls through a designed system of weirs and troughs to create a four-stage scrubber unit.

• INSTRUMENTS

Dips into sewer

WATER LEVELS in sewers, each time is recorded on waxed drains or any other accessible paper within the instrument. pipes or receptacles can be monitored to two per cent using a rebust portable flow recorder made by Portacel.

me

Easily installed in most standard manholes, "Portadip" makes use of a weighted sensor probe which is raised and lowered automatically on ten metres of cable. When the probe touches the surface a return path to the instrument is formed which causes the motor drive to retract the probe from the surface. The dipping process is then repeated every 30 seconds and the level reached

The circular recording paper runs for either one day or and is adjustable to have, at a seven, and the 30 second dip-range of 50 ft. a maximum ping interval means that no misleading readings are produced due to passing solids.

To give the necessary durability the instrument is housed in a watertight case made from Beetle DMC (glass-fibre reinforced dough moulding compound) supplied by British Industrial Plastics.

More from Portacel, Cannon Lane, Tonbridge, Kent TV9 1PP (0732 364411).

e BROADCASTING

out by Siemens as to whether this invisible radiation can harm

Serious eye damage caused by electric arcs or laser beams has also attracted suspicion to infra- perature at the illuminated point red light. There have been reports that the ir light from more than 10 degrees C—a value commercially available led's can that must not be exceeded if a have a deleterious effect if the health hazard to be avoided. light rays enter the eye under Under these unfavourable co adverse circumstances.

To ensure safety, Siemens'

investigations were performed dimensions and visually critical on the basis of visual conditions maximum power. that rarely occur in practice. The light rays from the diode edge length of 0.4mm, this power Road. Sunbury-on-Thames, were collected by the lens of is slightly over 100mW. With Midx, TW16 7HS. 09327 85691.

Corporation have been intro-

operating display photo-typesetter designed for rapid

similar material in sizes from

employed-a small rectangle of

film measuring about 4! x 6! in normal reinches containing an 18 point immediate use, alphabet. The company says The platemak

PRINTING

being fitted with infra-red remote control; moreover new landdition, the light beam was replications of this transmission proportioned so that the available with the control of the contr medium are being developed, able energy was focused on the 20mW, lie well below. Investigations have been carried smallest possible area of the for this size of diode. retina. In this case, the retina image was only four times larger the assumption that the lightthan the emitting chip area. Furthermore, constraint was applied to ensure that the tem-

> that must not be exceeded if a is Under these unfavourable conditions, there was a practically linear relationship between chip

maximum power.
With standard chips having an

Also launched is a low-cost

on the retina did not rise by

ORE AND more TV sets are the eye and the entire radiation edges 2mm long almost 500mW class, with a maximum power of 20mW. lie well below the limit

Investigations are based on and radiates hemispherically in accordance cosine law. The semiconductor material used for the ir diodes is gallium arsenide (GaAs). It emphasised that the results of the investigation on no account apply to laser diodes. These elements are not Lambert emission sources and emit considerably more coherent light.

Siemens House, Windmill Sunbury-on-Thames,

Graphics products from U.S. TWO TYPESETTERS and a characters in random sequence quality Rapilith offset masters

line or pre-screened

roll-fed platemaker made in the at speeds up to three times from line or pre-scr U.S. by Visual Graphics faster than two-inch roll fount originals in a single step. Called the Platemaker 200 the unit will accept originals up to 24 x 36 inches and deliver offset masters up to 14} x 181 inches at the rate of three plates/min.

photo- or plumbing. It has a visual spacing system that allows the-Incorporated into the machine are euto-focus, a digital plate length indicator, digital timer set, character by character. All the type is set same size from 24 to 96 point. A different kind the type is set same size from of master called Microfont is inexpensive film founts on to 2 reduction / enlargement x 12 inch paper and processed ability between 45 and 200 per

in normal room light for cent. More from Visual Graphics Company (UK), 8 Paul Street, London EC2A 4JH (01-247 The platemaker from VGC is that the selection system used an automatic horizontal roll-fed allows operators to select camera type that produces high

@ HEATING

Burns low

FIRST UNIT of its type, a duidised bed burner capable of handling lignite or brown coal and extracting virtually all of its-rather low-calorific value of 5,000 BTU/Ib has been exported from Britain to Hungary.

Energy Equipment has sold this first unit to Vepex, central Hungarian buying organisation, for the Transelektro coach and lorry building group.

It will be coupled with a conventional boiler to provide a gain in efficiency of about 6 r cent over orthodox firing stenis. A conventional chain trate is being replaced.

Energy Equipment, Olney Industrial Estate, Yardiey Road, Oney, Bucks, 0234-712333.

6 DATA PROCESSING

Complex equipment design

MILLENNIUM Professional and nested messages, Technical Services is pro-translation for rechnical Services is providing a design and proto- characters used in certain typing service to Chubb guages, and insertion of literal typing service to Chubb guages, and insertion of literal typing services. typing service to Chubb Integrated Systems during the dispenser system.

distributed processor techniques used in it will give greatly increased flexibility, in addition to improved customer facilities, compared to earlier models. and considerable interest has already been shown by both UK and overseas clients.

First module to be completed is the display and keyboard sub-system. Providing the allimportant communication between the cash dispenser system and the customer, the unit displays messages on a customer screen in one of four languages, and accepts inputs from the customer keyboard In addition, it controls a second, independent screen and key-board in the rear of the equipment for use by bank staff.

Multi-lingual message library, with a capacity of 16,000 characters, provies facilities for

at the National Exhibition

Centre from October 23 to November 1 next, Business

Equipment Trade Association,

ha: engaged Duport Computer

ised information service.

with over 400 exhibitors.

services to provide a computer-

Largest of its kind so far held

in the UK, the show will cover 23,250 square metres of net

stand space in the five halls,

lities to travel and entertain-

ment. Certain information will

Character timing can be modified under program control to give different inter-character spacing when required, and a graphics mode allows the display of complex characters, such as Chinese, using data from the system control pro-

logic, to ensure production

Will aid show visitors

ORGANISER OF the Interna- also be available in French and

tional Business Show to be held German.

at the National Exhibition Factfinder equipment will

character

PROCESS HEATING

suppressed when secure information is being keyed. Based on the Motorola MC6802 microprocessor, the design adapts many of the specialised functions of the M6845 CRT Controller to give the two-screen control and the complex display layout facilities with the minimum of additional

Millenium, 82A, Town Centre, Hatfield, Herts AL10 OJW. Hatfield 67121.

stands strategically placed throughout the exhibition halls

the Duport computer centre

some 25 miles away at Tipton.

greater depth of information-

the exhibition,

Solves a Braille problem

economy

SPACE HEATING

COMPONENTS normally echoed on the CRT; Smooth ride but the echo is automatically suppressed up or down

DIRECT GAS-FIRED

AND

AN advanced design of passenger lift controller has been developed by Hammond and Champness.

Heart of the unit is a thyristor . controlled regulator which converts the lift drive motor—a double wound squirrel-cage motor coupled to a worm reduction gear-into an infinitely variable speed unit, with braking being obtained from the low speed winding.

Design is such that accelera- a tion and deceleration patterns are determined by the regulator and take into account the sar's payload condition. Cruking speed, levelling and inspection speeds are also controlled by the regulator and a tachogenerahave 14 computer terminals located on seven information for, integrated into the circuitry, ensures that motor speed is company which has its headat the NEC. The terminals will quarters at 159. St. John Street. be linked by telephone lines to London, EC1 (01-253 4818).

Main characteristic; are ease Educational of operation, fast response, or than can be obtained from Duport': Factfinder, which the average catalogue, a printsolar cell

will be available free for the ing facility for those requiring SPECIFICALLY produced for use of visitors, will answer a hard copy and type listing of host of inquiries from product products enabling the visitor to educational use a Ferranti silicon solar cell is 3 ins ininformation and exhibition faci- identify an area of interest and diameter and is capable of producing 0.9A at 0.5V under good pian an economic route round sunlight conditions. Physical protection is provided by a tough moulded case and by a Fresnel lens which also acts as a light collector. Power take-off is from metal pins on the rear of the case. Accidental short-circuiting of the output will not damage the cell, and any number of cells can be arranged in . series/parallel combinations to increased provide values.

In addition to providing an educational aid for schools, colleges and universities it can provide the DIY enthusiast with a power source for operating functional models and electro/ mechanical devices.

from Ferranti Further Electronics, Fields New Road. Oldham, Lancs Chadderton, OL9 8NP. 061-624 0515.

air. No mains make-up water is required, says Mascott, because SAFETY the water in the tank is recycled Detects any movement continuously and in most appli-

JOINING THE considerable the alarm. number of microwave detectors on the market is a unit from the or manager.

at low level is sent out rather like a light beam from a torch range of 50 ft. a maximum vertical dimension of 10 ft and a maximum width of 20 ft. Doppler shift principles are used (the analogy is the changing pitch of a train whistle as it passes an observery so that any notion within the field of the heam gives a slightly changed frequency in the reflected energy which is picked up by equipment and processed. An in-built sweep oscillator and amplifier will then power external loudspeakers to raise

machines.

duced to Britain by the com-pany's U.K. subsidiary.

Typositor 4000 is a daylight

Typositor 4000 is a daylight

production of headlines and user to see exactly what is being

Should the villain out the grade fuel mains supply, a four-hour stand-U.S. called Midex which the by battery ensures continuing agents, Monitel of Colchester, say is simple enough to be installed by the property owner staff, and if desired additional window and door sensors can be A beam of microwave energy independently connected.

With the unit, which costs £152 without loudspeakers or additional sensors, comes a very good installation brochure which should prevent mounting of the unit so as to detect, for example, passing ears outside or flapping curtains

It also takes the trouble to point out that unless some understanding is reached with adjacent premises owners (particularly in residential applications) the alarm sound may well be ignered. More from Manitel, Berechurch Road, Colchester, CO2 7QH (0206 48221).

familiar word processing.

accommodate the complex con-ventions used in text editing sented as a 20 ins (50 cm) six dot Braille cell.

Complementing the com-puterised systems for Braille rently in use at the RNIB, the 300

BRAILLE display and editing unit satisfies the requirement terminals by Micronex solve for a small stand-alone system problems not typically on capable of scanning Brailie countered with the more pages produced by voluntary transcribers using a Perkins Braille display and editing Braille writer, so converting calls for a full-size display the text into machine-readable format in dot form which simulates the embossed Braille page, tion. Once captured by the and an ability automatically to scanning process, the 29 line x and formatting based upon the raster scan graphics display for editing utilising the Braille

equivalent of word-processing, Micronex, Harford Square, translation and production cur- Chew Magna, Bristol. 027589

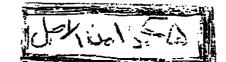
er en la segui de la companya de la

1st and 3rd French Grand Prix

and 2nd **British Grand Prix** 1979







Taylor Woodrow's £8.2m

tract Construction is pro scheme which is now under way grammed to start in October and programmed for comple-1980. Completion is scheduled tion in March 1980.

bined value of £8.2m have been £590,000 is for the construction McAipine Project Management won by Taylor Woodrow. The of a container repair depot at a contract worth £1.4m for civil bigger worth £7.6m and awarded Nursling, Southampton, Hants, by the Oxford Regional Health and is for Taylor Woodrow In-Authority, is for phase one of dustrial Estates. Architects are office at Stourton, Leeds, West the Milton Keynes District D. S. Tucker and Partners, General Hospital. Taylor Wood mechanical engineers John and Hanson Rowe and Partners reneral mospital. Laylor whood mechanical confineers while and manson nowe and Partners flow's contract is in two parts— Hemsley Associates, quantity of Huddersfield, consultants initial collaboration and liaison surveyors. Gleeds. Workshop, (structural) Ove Arup and with the client's design team office accommodation and a Partners of Sheffield and followed by a management con- larry park are included in this In the north, Taylor Woodrow in 1980.

The second contract, worth has been awarded by Sir Robert quantity surveyors Gleeds of

Work for

Laing in

_eicester

SINGLE STOREY battery pro-

duction building is to be built

at Market Harborough, Leics.,

under a contract worth about

£1m awarded to the Midlands

region of John Laing Construc-

tion by Tungstone Batteries.

The building will be at Lath-kill Street where work will

start at the end of this month.

Completion is due within a year.

to provide a working area of

Alterations at Debenhams store at Bull Street, Birming-ham, are worth 2711,000, and

the contract involves installing

building, additional

a new goods lift in the seven-

escalators between the base-

ment and fourth floor, remov-

ing existing goods lift and rein-

stating shopping areas and

creating new shopping and storage areas by removing some

LONDON BOROUGH of Hours-

low has placed a contract valued

at over £1.8m with Tilbury Con-

struction for a 361-week

underpinning is also called for.

about 25,000 square feet.

storey

interior walls.

House

repair

project

war council houses.

includes

The project is now under way and completion is planned early

Fairclough wins £7.6m

WORK IN Yorkshire, Teesside Darlington Bowls Club, and County Durham has been Two projects in Washi awarded to Fairclough Build-

ing totalling £7.6m. Biggest contract is worth £2.6m and is for a new William Morrison supermarket with adjoining bowls hall at Darlingventure for Morrison and local borough council and, when completed next spring, will Two projects in Washington,

Co. Durham, are a Barclays Bank cash centre (value £460,000) and a £275,000 extension to the Makro self-service wholesale warehouse.

At Gateshead, company will build a warehouse, silo tower and office block under a £750,000 contract for Rank provide an all-year-round flat Hovis McDougall; and refurbish indeor bowling green for the a factory under a £800,000 con-

tract from English Industrial Estates Corporation.

In West Yorkshire a £560,000 contract is for a single-storey stock-holding extension facilities at D and F Steels,

Leeds City Council has awarded a £1.3m contract for 102 council homes, and Middlesbrough Borough Council a £1m job for the modernisation of 100 homes at more than Acklam and Whinney Banks.

Orders roll in to Bos Kalis

subsidiary of the Royal Bos pipe. Kalis Westminster Group of Holland say it has received of Rotterdam has received a Marine Construction both of orders during the past few £2m order for earth moving weeks valued at £25m. works in Holland.

The largest is for the com--pletion of a gas pipeline in investigation and survey comceived orders in Holland for over £1m for hydrographic and placing fire screens and laying soil investigations in various pipelines involving six water countries.

Group member Oosterwijk BV

Nacap has also re- pany has received orders worth

Seepage stopped by a sealant grout

WATER SEEPAGE, which has the affected the Prudential Build- drilled through the retaining ing. Cambridge, over the past walls at regular intervals and few years, has been stopped by the Watermard system which a new sealing and grouting uses a silicate-based grout, was system. Waterguard, marketed by geotechnical specialists,

ment suffered from minor seep-age which was overcome. It recurred later and increased during the 1976 drought.

The owners attempted to divert the water flow along existing drains. This solution proved troublesome because the guard forms a waterproof, high mineral content of the caused recurring blockages.

The first step by Ground the water was leaking into the Ground Engineering. 14 Glamorgan County Council and building. Then, while the basement continued to be used by 4PJ_01-930 0320. Engineering was to find where

Two quality systems to choose from.

pipeline crossings and a waste water

Osiris-Cesco, the group's site.

occupiers, holes were

pressure-pumped through the wall to form an impervious skin-Ground Engineering. hetween the wall and the water-initially the building's base-soaked ground. The same process was used to provide a waterproof blanket underneath

> Thus unlike most other sealing techniques which attempt to seal the actual cracks, Waterbarrier outside the porous wall. It is also compatible with traditional construction materials and is safe to handle.

British group members Rock Fall Company of Glasgow, West-minster Offshore and Land and Bromborough, Merseyside, have obtained orders worth over £5m. Land and Marine has an order to build 197 houses in Liverpool while Rock Fall has been awarded a contract to prove coal

deposits in mountainous and

difficult terrain in Scotland. -

New bridges for Bath and Cardiff

CONTRACTS IN South Wales and the south west valued at over £1.8m have been awarded to Davies. Middleton and Davies (Joseph Cartwright Group).

The largest, Tyndall Street viaduct in Cardiff, involves the construction of a three span prestressed, precast concrete road bridge over the railway bearing on large diameter bored pile foundations. In addition to approach em-

bankments with concrete cable subway and crib retaining walls, 120 metres of dual carriageway and 240 metres of single carriageway is to be constructed. Preliminary work on the contract which is for the South

You can't beat a couple of good pro's.

Expansion guides on

Work on another bridge over the River Avon in Bath which will link the A4 and A36 roads has also just begun. The bridge is to have steel plate girders with a composite in situ reinforced concrete deck slab of 40 metres span. Abutments and wing wall will be supported on steel "H" piled foundations. The contract, which includes the construction of 285 metres

and is for Avon County Coun-Under a contract with Wessex Water Authority worth £130,000 the company is to carry out improvement works to Ladden Brook near Iron Acton. Construction of the pumping station and channel works will start soon.

of road is valued at £575,000

£4m to Manston

contracts scheme for City Square Securi-CONSTRUCTION worth more than 54m have been ties. Nottingham and for worth more than 24th law to the word by Manston (Contractors Glyben, Leeds, won by Manston (Contractors Glyben, Leeds, Leeds, work to be Warehousing and offices are Industrial) for work to be undertaken in Leeds, Sheffield, Bradford, Wigan and Notting

Just under £1m, is the supermarket and petrol station pro- joining the Mi. A further ject for William Morrison at scheme is under construction Wigan. Other work here in- at Castle Dennington next to cludes warehouses, offices and the East Midlands Airport external works, the largest being for a 190,000 square feet unit for Leigh Estates which will be let at Benyon Park, Lowfields Road, near Leeds United football-ground.

Developments also include a

being built for T. W. and H. Clarke at Bradford and two major schemes are underway for Percy Bilton at Thisley ad-Design and building of major extension to the premises of J. Rivlin, electrical whole-

designers make more accurate

estimates of the number of

hours for which artificial light-

It is post free in the UK-at

£4.70 from Distribution Unit

Foundation

INCREASING USE in the

building industry of new,

lighter materials with increased

strength has necessitated the

use of lower capacity piles in

foundation schemes, says GKN

Keller Foundations of Ryton,

Coventry, in launching its new

which have severely restricted

Able to work with a minimum

headroom of 4.5 metres, the

system caters for piles of

160 mm to 305 mm diameter,

offering load characteristics

from between 150kN to 360kN.

The mini rigs are said to func-

tion in very confined spaces

This allows piling to be carried out on previously in-

mini-pile system.

headroom.

ing is needed in buildings.

BRE, Garston, Watford.

service

by GKN

saler, is being undertaken. Also received by the company is a contract for British Road Services at Scunthorpe.

Estimates Control of hours of daylight

YORKSHIRE Water Authority has awarded a contract worth about £1.4m to William E. Farrer (a member of the Moss Engineering Group) for water pollution control mechanical and electrical plant.

This is part of a scheme to modernise and refurbish the biological filters at the Authority's pollution control works

at Esholt which serve Bradford and surrounding areas.
Comprising 35 rectangular units installed in an area of 21 hectares, the existing biological filters contain 140 waterwheel-driven travelling distributors which were installed in the early 1930s. It is intended to replace the equipment with the same number of electrically driven distributors with modern control equipment.

£2m awards first-year programme involving external repair works to inter-Properties are on 19 estates the borough, and work ludes replacement of canopies, rebuilding gable walls. rebuilding and repointing chimney stacks, renewing win-dows, repairs to roofs, etc. Some

B. B. KIRK (Constructions) a member of the Charles Hill of Bristol Group, has been awarded contracts totalling over

They include work for the North West Water Authority accessible sites, and also on sites for extensions to Coine Sewage Works costing £966,000 extensions to Ilkeston Sewage Treatment Works for Severn Trent Water Authority value £738,000 and two small sewerage schemes for the Craven District Council and the Ribble Valley Council totalling £150,000.

Construction is soon to commence, on two factories for the English Industrial Estates in the smallest can be manuetivied Lancashire at Earby and Haslingden. Value of this work is through gaps as narrow as two £275.000.

IN BRIEF

• John Mowlem has received • Chef and Brewer part of Watney Mann has awarded a £240,000 centract to John a London Borough of Sutton contract, worth £700,000, to Willmott Group for the concarry out structural repairs to version of the Wellington public Chaucer House, a 16-year-old house in Turnpike Lane, Wood tower block, and modernise its Green. London N22, into a 95 fats. estaurant. 6 Borough of Colwyn has

> 9860,000 to Mears Contractors for the construction of 67 dwellings on Fron Farm Estate.

Column Bay.

• Lesser has received its third contract — worth \$315.000 — from Swallow Hotels, for the design and construction of an extension to the Seaburn Hotel, Sunderland. O Deacon Contractors will build

the new 1.800 square metre twostorey store at London Road. East Grinstead, Sussex, for Inhuson Group Cleaners Proper-ties The £300,000 project includes extensive site preparation templition of existing buildings and the excavation and removal of an estimated 3,500 - cubic metres of soil.

A Agent Plant Hire continues its fam expansion programme on its Leeds and Nottingham Simwain denots with a further sim expenditure on new plant for its Crayford, Kent, depot. 9 Francipile has increased its range of pile types with the introduction of the Franki drilled pile, for use where it is important for the piles to be installed without vibration and with the minimum of noise. This new equipment consists of a continuous hollow stem flight auger which is screwed into the ground by the hydraulic rotary head of the machine. Very little soil is removed, temporary lining tubes are not required and, on completion of the boring operation, the pile is formed by controlled pumping of concrete through the hollow stem of the auger as it is with drawn from the ground.

Sound will give tide

REMOTE measurement of tidal ranges by ultrasonics can be carried out with the Type 1856 tide level developed by Strainstall.

For port sperators, offshore construction industry and researchers, continuous indication of the tide level is made readily available at any suitable point remote from the instrument's location, while lack of moving parts means that an absolute minimum of maintenance can be combined with a high degree of reliability and accuracy.

Heart of the system is a transducer mounted at the top end of an 8-inch-diameter pvc stilling well: The latter has a damping inlet at the bottom end to eliminate the effect of wave metion, and is easily mounted in any suitable vertical position on the structure under study. A simple plug-in lead carries JUST PUBLISHED is a Buildthe transducer signal to a readout unit which may be located ing Research Establishment up to 50 metres away. report, Availability of Day light, which is intended to hele

Should data be needed further

CRENDON The right way tobuild

FACTORIES OFFICES & WAREHOUSES CRENDON CONCRETE CO. LID

Long Crendon Bucks

Tet 208481.

away from the measurement noint the Strainstall type 1620 large display unit can be hooked This is visible at a range of 100 metres, effectively allowing data to be read clearly 150 metres from the transducer

hocation. Type 1856 ean cope with a tidal range of 6 metres. Where ranges are greater than this two or more units can be used to back each other up. Digital readout is standard, with temperature compensation provided to minimise drift. Accuracy is claimed at plus or minus 3cm within a temperature range of 0-20 degrees C. Strainstall, Harelco House

Denmark Road, Cowes, LOW: 0938 295111

Materials for plastics window frames

PUTTING ITS money behind the forecast some years ago fastest growing mam that rigid pvc window frames of plastic raw materia fromise to be the most signi- UK, Vinatex is associated the British Steel Co sumption in the next decade, Vinatex of Havant, Hampshire, is now producing the dry blend and granulated compound used Extrusion production and for the production of profile for marketing of the components Thermoframe . system, presently available from H.I.S. (Aluminium), Thorpe Way, Oxfordshire (0.295 Banbuty.

Claiming to be one of . The of plastic raw materials in the UK, Vinatex is associated with the British Steel Corporation National Coal Board and Norway's major industrial organisation, Norsk Hydro as for the system is a joint venture between W. H. Smith and Som (which is responsible for extra sion development) and HIS (Aluminium),

PLANT & MACHINERY

Description

1) ROLLING MILLS 20in x 30in x 350 h.p. Two High Reversing Mill.

5in x 12in x 10in wide variable speed Four High Mill. 3.5in x 8in x 9in wide variable speed Four High Mill. 10in x 16in wide fixed speed Two High Mill.

10in x 12in wide fixed speed Two High Mill. 6in x 16in x 20in wide Four High Mill.

2) CUT/LENGTH LINE 1,000 mm x 2 mm. 3) CUT/LENGTH LINE 750 mm x 3 mm.

4) CUT/LENGTH LINE 400 mm x 3 mm.

5) WIRE FLATTENING & NARROW STRIP ROLLING MILL,

6) SLITTING LINE 920 mm x 10 ton colf by Cam.

7) SLITTING LINE 300 mm x I ton coil by Cam.

8) SLITTING MACHINES 36" and 48" by Weybridge. 9) 350 h.p. REVERSING MILL, 20in x 30in rolls. Farme 4 1 100m.

10) PLATE SHEAR 4ft x lin Cincinnati. 11) GUILLOTINE 8ft x 0.125in Pearson.

12) No. 1 FICEP SCRAP SHEAR, 75 x 35 mm bar. 13). SHEET LEVELLING ROLLS, 920, 1,150 and 1,850 mm wide.

14) HYDRAULIC SCRAP BALING PRESS. Fielding & Plat 15) FORGING HAMMER 3 cwt, slide-type. Massey.

16) YACUUM FURNACE 100 kw. Herdiekerhoff.

17) AUTOMATED COLD SAW, non ferrous. Noble & Lund. 18) WIRE DRAWING MACHINE 8 BLOCK (16in). Arboga.

19) WIREDRAWING MACHINE 6 BLOCK (22in), Marshall Richards. 20) ROD DRAWING MACHINE 9 DIE, Barcro. And spooler max.

21) HORIZONTAL DRAW BLOCK 36in. Farmer Norton

22) BAR & TUBE REELING MACHINE (2in), Platt.

23) WIRE DRAWING MACHINE 9 DIE cone type. Unity.

24) WIRE DRAWING MACHINE 15 DIE cone type. COMPLETE BICYCLE RIM MANUFACTURING PLANT for

disposal, capacity 300 rims per hour. Wednesbury Machine Co. Ltd.

Oxford Street, Bilston, West Midlands. Tel. 0902 42541/2/3 Telex 336414

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> Rolls Tools Ltd., 154/6 Blackfriam Read, London SEI SEN Tel: 01-928 3131 - Telex: 261771

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Square-section or half-round, both light, very strong and very durable. Both systems are available in black or grey. all fittings. and the square-section system is also available in whit Thermal expansion is allow -for-in the design of to existing systems. 'Can be easily installed to fit existing cast non or other systems. Snap-together joints. crall -moulded leak proof elast Integrated design There's only one thing better than a really professional of pipe connector and fixing clip. rainwater system, and that's two really Clip effectively holds connector and upper pipe length in position professional rainwater systems. Which is precisely what Terrain offer you. Two robust, durable systems designed for simple fixing, faultless performance, and attractive Precision-moulded fittings. Quality mouldings ensure a Both are fully compatible with existing systems. perfect fit every time. And both are backed by Terrain's vast experience and technical know-how So for a really professional job, there are two systems to choose from, but only one name to remember - Terrain. FREEFONE Ring 3115 for immediate technical advice. 3-position shoe Virtually vandal-proof fixing The pro systems KEY TERRAIN LIMITED, AYLESFORD, MAIDSTONE, KENT, ME20 7PJ. TEL: MAIDSTONE (0622) 77811. TELEX: TERAIN G 965160.

A cry for help from small U.S. innovators

BY CHRISTOPHER LORENZ

ONE OF THE most intensely studied documents in White half and Westwinster over the last few weeks has been a report from the Massachussetts Institute of Technology which shows that small firms have generated the vast majority of new jobs in the United States during the past decade.

The MIT report strongly sup-ports Sir Keith Joseph's argu-ment that there is saure chance of creating new employment in the UK by encouraging the start up and development of new old and inefficient industries large ones not only to create Hence Whitehall's preoccupa new jobs, but, to produce signition with the report (which was figure technical impovations ed by John Elliott on the general feature pages on June 30).

Sir Keith and his advisers Sir Keith and his advisors Yet it is exactly these high-should be forgiven for conclud-risk, so-called fectuology-ing from the MIT study that based small firms which seem small husiness as a whole is now to be suffering most from the booming in the U.S. It is not corrent lack of capital. this How can it be when small firms shortage is not only in public have become virtually unable equity markets, say the busito raise money on the public nessmen, but also among
securities markets since 1972, specialist venture capital instituwhereas until just three years tions and individuals inverwhereas until just three years tions and individuals invest-earlier they were raising over ments both of which were \$ibn a year? Between 1969 and crucial sources of finance for 1975 the number of such issues the new famous rechnologyfell from 548 to just four

This is only part of a very sad story. As if these financial problems were not enough, U.S. small business has also suffered be no coincidence that the since 1969 from a massive proliferation of regulatory and ment for small innifiative firms legislative regulatory in the U.S. since 1976 has been dwarfing the problems about followed, after only a few years, which entrentenesses in Parists. which entrepreneurs in Britain by growing concern among

again if some of the many dis- of future competitiveness and incentives of the past decade employment. could be removed.

aggregation of data for the

whole period.

The sharp decline in public equity funding for small firms over the last 10 years was described as nothing short of "catastrophic" by a recent report to the Department of Commercia his agreement of leading Commerce by a group of leading businessmen, most of them without a personal are to grind since they work for glant corrotations.

The reason for their concern that a large body of research p and development of new pays shows that small firms sees than by shoring up have a far greater tendency than ficant: technical innovations which in turn help increase productivity throughout

> based firms of California's Silicon Valley and Boston's Route 128 before them.

In the light of all this, it may which entrepreneurs in Britain by growing concess among have been complaining so many economic experts that vociferously.

None of this is to argue that the MIT report is inaccurate, merely that U.S. small business country suffering from high unemployment least actually is no longer bouning to the extent it did finough the 1950s and 1960s, or the way it might again if some of the many dis-

ould be removed.

Much of the evidence about Indeed, there is some evidence worsening of the U.S. dence in the MIT study itself environment for small innovaof a decline in the job-creating tive companies was reported on role of small firms relative to this page on May 14 as part of larger ones between 1969 and an article explaining what 1976 (the years covered by the American businessmen were report), but this trend is relling the Government during

masked in many places by MIT's the course of President Carter's NOTICE OF REDEMPTION

to the holders of

729 7 908 1067

1386 1409

ORIENT LEASING (CARIBBEAN) N.V

91% Guaranteed Notes 1981

Notice is hereby given that pursuant to the provisions of the Notes.

407 545 731 909 1068
417 552 749 913 1070
421 570 758 919 1074
422 572 756 923 1077
429 574 760 928 1089
435 594 763 980 1098
436 599 768 989 1197
438 602 771 974 1129
442 604 779 975 1137
448 609 780 984 1139
451 625 802 985 1145

68 221 344 436 599 768 869 1167 1237
70 232 353 436 602 771 974 1129 1246
76 236 354 442 604 779 975 1137 1261
82 249 355 448 609 780 964 1139 1272
87 264 355 451 625 802 985 1145 1275
101 265 362 463 640 812 987 1149 1278
112 267 374 471 650 814 996 1155 1283
114 271 376 477 658 824 996 1156 1285
120 274 381 480 662 829 1000 1164 1288
121 277 386 488 863 834 1009 1171 1292
122 286 389 488 871 335 4015 1178 1340
135 287 391 491 683 843 1029 1181 1343
141 288 396 677 690 855 1035 1190 1344
157 295 399 502 698 869 1061 1194 1362
167 304 401 563 706 869 1061 1194 1362
168 305 402 515 714 885 1064 1195 1366
172 313 403 518 721 901 1065 1204 1374
On 15th August 1979 the Notes designated above will

ORIENT LEASING (CARIBBEAN) N.V.

by Manufacturers Hanover Limited

8 Princes Street

London EC2P 2EN

opinion this has caused a major disaster for innovation," the report complains.

domestic policy review on industrial innovation.

Now the argument has been taken a stage further by a lastminute submission to the policy review by the select group of small businessmen who were in-vited to take part in the consultation process.

Their joint report expresses the intensity of their concern in extraordinarily violent accuses certain government small procedures of "chewing the agains small innovative business to

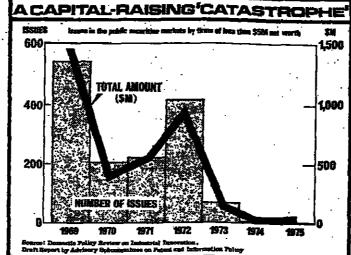
Yet, in spite of the obviously self-interested nature of the report, it provides convincing jurisdiction has been extended, chapter and verse to support it argues that "the small guy is the small businessmen's case. overwhelmed by the lawthe small businessmen's case, overwhelmed by the law-Whether Washington will feel making, rule-making, and able to accept some of their enforcement processes of regumany policy recommendations may be questionable, but it can no longer be in any doubt that assets, time and energy, it the plight of the small, innova- complains. getting worse. Though worse in degree, many of the problems the UK.

After reminding Washington that running a small business is always a struggle, on all fronts, the report outlines five problem areas where Federal action could beln:

· Capital availability: The report complains that federal policies on taxation, pension funds and securities "have virtually eliminated." all forms of start-up and expansion capital from small, innovative business ventures. In particular, it claims that the anti-fraud rules of the Securities and Exchange Commission effectively preclude from capital markets small enterprises which do not have a proven flow of profits from mature products.

A broader complaint is that changes in tax policies over the past ten years have given favourable treatment to investments by individuals in pension funds, property, oil and gas drilling. and agriculture, whereas innovation receives no special treatment.

The entrepreneurs are particularly concerned about the cension fund legislation, which as channelled the savings of high-income earners into taxsheltered institutional investment pools that are precluded by law from investing in small: innovative businesses. "In our



language (at one stage it lations equally to large and sell a new product to the discriminates government; or to defend its firms against small business, says the report. Listing some of the firm to sell out to a larger firm many new Government agencies which have been established in with greater resources. the last decade, and those whose lation." They combine to drain

tive entrepreneur is bad, and • Federal funding for research and development: This has become highly concentrated in a are similar to those in character few large companies, universi-of other countries, including ties and federal laboratories, the report complains. "The most innovative sector of the American economy, small science and technology-based enterprises, are virtually excluded from effective participation in federally-funded applied

research." • Federal procurement of goods and services: The procedures involved stultify innovation, says the report, yet if small firms were given greater participation in this market, the government would benefit from better products and services, and lower costs.

• Patents: The real value of patents has weakened considerably in recent years, the group complains. A large proportion are later invalidated by legal action, " and the cost of defending such suits is prohibitive for a small firm. A return to a strong patent system is essential for a rebirth in innovation."

Running through all these specific complaints is a single theme: that the government and legislature fails to understand the essential differences beadvantage of large firms, but to 'country" harm the small. This applies to every one of

the five specific problem areas, according to the report: order to obtain capital to meet Regulation: The present expansion needs; to avoid high system of applying the increas- (property) taxes; to obtain ing body of Government regu- federal regulatory permits; to

patents, it is frequently necessary for the small innovative

"When this occurs," the report continues, "the research and development budgets are often soon cut, and the innovative entrepreneurs leave the firm. A creative, independent organisation is changed into a the innovators most precious static, dependent one.'

> The entrepreneurs' analysis of their problems is followed in the report by a battery of recommendations. They are far too numerous to itemise, but they include the following:

• Capital availability: Large amounts of risk capital will again flow into small innovative enterprises if federal tax laws are changed, to put small business innovation on a par with large eorporations, and on a par with other investment alternatives for individual investors. support its case for many financial obstacles to be removed, the report points out that many of them were unintentional in the first place, raised as part of much more general measures. Among the specific proposals are a new class of equity security for new innovative businesses, and a series of tax incentives to both small com-

• Regulation: There is a series of recommendations for exemp tions or mitigations for small innovative firms.

panies and individual investors.

The report concludes with a clarion call worthy of the Declaration of Independence: "With the removal of the disincentives that are now imposed upon small innovative busi tween how small and large firms nesses, we are confident that are managed, and therefore fails the amazing resourcefulness of to appreciate that generalised American innovators will again policies towards industry and emerge and result in material commerce tend to work to the and social growth for our The Goal-Setting and Appraisal conduct of these core aspects of

EXECUTIVE HEALTH

BY DR. DAVID CARRICK

Season of skin discontent

A PARTICULARLY despairing moment in the average doctor's day comes when a patient dis-plays a rash; and during the past few weeks there have been many despairing moments. Unless the rash is accompanied by other evident signs and symptoms, when the combination safely provides a diagnosis such as rubella, or scarlatina etc., much delving into minds and books may be required before an intelligent guess can be made. For, apart from external heralds of some internal conflict, the skin is a veritable battlefield in which are fought strange skirmishes, the main contenders being unknown, although sometimes the results are given charming names such as pityriasis rosea, planus, molluscum

tively to give an excuse for exotic or dangerous treatments. Of the rashes seen in a season that passes for summer in Britain, many more are of an allergic nature than at other times in the year. This is due to factors such as the ready availability of certain soft

contagiosum and so on; names

coined by those long-dead physicians who, after gazing at

them, christened them descrip-

A majority of allergic reactions display themselves in skin eruptions, most of which are fairly easy to recognise. Tire-some and aggravating as these may be, they are seldom of alarming severity. A few, however, depending upon the hyper-sensitivity of the sufferer and the type of allergen involved, are very serious and, on rare occasions, may prove fatal if adequate medical attention is not obtained quickly. Stings from bees and wasps in a sensitised person, enter this cate-

is the mechanism? Both are difficult questions; but, basically, and for some unknown



One man's delicacy can be another man's allergy

majority of the human race. and require penicillin or some other medicament, if it does not should a second invasion occur. cure him it will not make him

worse. Poor Mr. B., however, has to deny himself these delicacies because, after the second time he indulges, he develops a rash and is mildly or moderately ill. Furthermore, he may not be able to benefit from some of the most useful anti-bacterial drugs for the very same reason. And, if the poor man happens to be undergoing some unrelated emotional stress, any reaction may be exaggerated.

As to the mechanisms in-Why do they occur and what lows: the individual eats, or inreason, some people's bodies an idiosyncratic objection. Nothmerry meat of most men is this have a remarkable dislike for ing unpleasant takes place on poor person's puzzling poison.

certain common foods, medi- the first occasion because, alcines, etc. which have no dele- though his organism regards the terious effect on the great said substance as a foreign invader which should be fought, Thus, Mr. A. can eat strawber- there are no antibodies to do ries or crab or mushrooms year battle with the antigens. But after year without a whisper of antibodies are manufactured trouble. And, should be fall ill and lie in wait for ever, if need be, to take up the cudgels

If this happens, then the antibodies are mobilised and battle is joined (very quickly with foods and inhaled matter but usually not before eight to ten days with drugs). The fight to the release of bistamine from cells in the skin and from deeper tissues, with resultant dilatation of small vessels (and thus a fall in blood pressure) and causes "nettlerash" or other types of eruption (which usually itch grievously) and, in some cases, constriction volved in allergic reactions, of bronchioles. The result is a very roughly they are as folvery unhappy—even severely very unhappy—even severely ill—itching, swollen patient who hales or is injected with, some has done no wrong to anyone, substance to which his body has but has merely proved that the

Management abstracts

These summaries are condensed from the journals of abstracts published by Anbar Publications. Readers wishing to consult original texts should write to and how far they agree with PO Box 23, Wembley HA9 8DJ.

Processes in MBO, M. L. an MBO programme.

Management Review (USA), Vol. 4 No. 1: p. 9 (12 pages, tables).

Analyses literature on management objectives to describe and compare how authorities view the goal-setting and performance appraisal processes, each other; from the analysis offers general guidelines for the

McConkie in The Academy of Why So Many Small Businesses Flop. P. L. Burr and R. J. Heckmann in Across Board (US), Feb. 79: p. 40 (3 pages). Explores, with a case example.

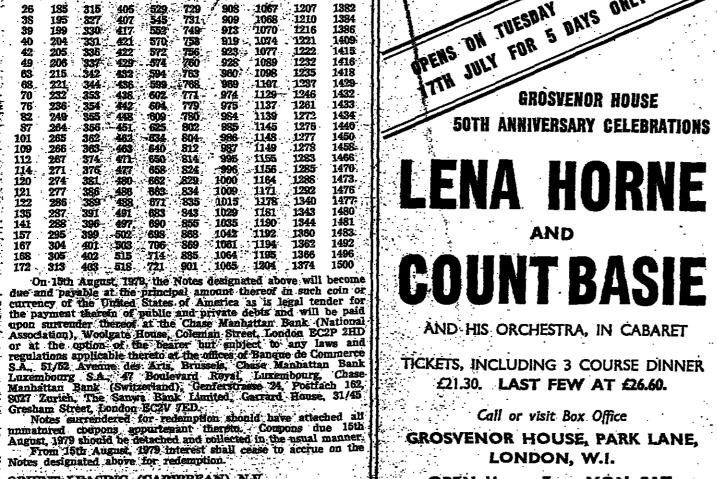
reasons for small business failure, and summarises them as lack of management ability, unawarenes; of cash-flow needs, excessive long-term investment too soon, and-in some casesgrowing too fast; from these, identifies ingredients for suc-

Manufacturers Hanover Limited, as Fiscal Agent, has selected for redemption on 15th August, 1979 at 100% of the principal amount thereof US\$ 2,600,000 principal amount of said Notes bearing the WEND UN JUEDUAT DAYS ONLY OPENS ON TUESDAY GROSVENOR HOUSE **50TH ANNIVERSARY CELEBRATIONS**

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ANNOUNCEMENT OF PROPOSED RIGHTS ISSUE

Barclays National Merchant Bank Limited is authorised by the board of directors of Oll to announce that the terms of the proposed rights issue have been determined. Oll intends to raise, subject to the passing at the general meeting on 19 July 1979 of the necessary special resolution increasing the authorised share capital, R8 605 379 by the issue and allotment of 34 421 515 ordinary shares of 12.5 cents each at a price of 25 cents per share.

The ordinary shares will be offered to members entitled to participate in the issue as set out below and who were registered members of OIL at the close of business on Friday, 20 July 1979 on the basis of-180 new ordinary shares of 125 cents each for every 100 ordinary shares of

The offer will open on Friday, 27 July 1979, and close at 15.30 hours on Friday.

17 August 1979. Application has been made to the Johannesburg Stock Exchange and The Stock

Exchange, London, for listings as follows:

34 421 515 renounceable letters of allocation (nil paid) in respect of 34 421 515 ordinary shares of 12.5 cents each from Monday, 23 July 1979, to Wednesday, 15 August 1979.

2. 34 421 515 new ordinary shares of 12.5 cents each as from Thursday, 16 August 1979.

The salient dates of the rights issue are-Last day to register for rights 20 July 1979 Commencement of listing of renounceable letters of allocation 23 July 1979 27 July 1979 Deferred settlement date in London Last day for trading in letters of allocation Last day for splitting of letters of allocation-London 15 August 1979

Johannesburg ... 16 August 1979 Commencement of listing of new ordinary shares 16 August 1979 Offer closes London 15.30 hours 17 August 1979 Johannesburg 16.30 hours 17 August 1979

All ordinary members of OIL are entitled to participate in the rights issue and the holders of OIL's 85 per cent convertible redeemable cumulative preference shares of RI each ("85 per cent shares") and II per cent convertible redeemable cumulative preference shares of RI each ("II per cent shares") will also be entitled to participate in the rights issue, in terms of the special rights and conditions attached to these shares, on the following basis-

45 new ordinary shares for every 100 8.5 per cent shares held. (B) II per cent shares

144 new ordinary shares for every 100 11 per cent shares held.

Full details of the rights issue are contained in the circular which is being mailed on 27 July 1979 to all members of OIL entitled to participate in the rights issue.

Shares not taken up in terms of the rights issue will be available for allocation to members of OIL only. The issue is being underwritten by certain of the directors of OIL, Barclays National Merchant Bank Limited and the board of executors.



BARCLAYS NATIONAL MERCHANT BANK LIMITED

(Registered Merchant Bank)

; 16 July 1979

Wages or jobs the real choice

BY SAMUEL BRITTAN

THE "Phillips curve," which asserted that there was a stable tradeoft between money wage increases and jobs, stirred up a great many emotions in its time. In the U.S. it was regarded as a doctrine for radicals, implying that higher levels of employinent could be obtained if only policymakers would tolerate a little more inflation. In the UK... it was regarded as a conservafive doctrine stating that inflaexpense of just a little more unemployment.

On either interpretation the Phillips curve is pretty well dead. The idea of a stable long fun relationship between money trages and jobs could not surflation when both money wages and unemployment soared together It would now be widely recepted that there is long run relationship either way. There may be a temporary tradeoff; but it may co either direction and is inherently unstable.

Causation

wages that matter; and the line of causation runs not from un- years. employment to wages, but from real wages are too high, workers will price themselves out

Although the general prinlags involved are not known.

The real wages that matter wage was pulled upwards. for empement are wages in terms of the product produced, do not employers prevent real because, for instance, prices of cessively, by raising final prices? imported commodities fall, this In the UK they are inhibited will hardly hit employment. For this reason the Midland Bank change rate. But this can hardly Review has constructed an index explain why real wages have of labour costs to the employers risen so fast as to produce unin manufacturing, adding in employment in the Western National Insurance and super- world as a whole-if this is annuation as well as wages. This what has happened. We still on 11 lbs better terms.

† Indicates programme

England (except London), 4.20 Play School (as BBC2 11.00 am).

5.40 News. 5.55 Nationwide (London and

.20 The Dukes of Hazzard.

ACROSS

5 Leave without resource—

10 Oriental gets like a Scot (5) 11 Included in the register though evidently not upright

12 Hither wag repairs when

13 A place to eat in Germany

excuse for failure (5)

27 Fashionable endeavour about...

in Scotland (8)

tide is in (4, 5)

(2, 3, 4)

it's just a yarn (6)

1 English order finds entrance 1 Famous Head gets by with

everyone inside (6)

in action (9)

raceborse (7)

2 Heath includes a fitter set

3 Blown away on the screen

4 One foot is enough for this

6 Two great races-one with

sex discrimination (3, 5, 3, 4)

7 A sign that is found in

The solution of last Saturday's

prize puzzle will be published

South-East only).

6.55 Ask The Family.

WAGES AND EMPLOYMENT IN 1970 - 109 105 Employment (2 years)

ceived per unit of product after paying for materials and bought-in services—in other words, the price per unit of value added.

But one further correction is made. A unit of labour changes its value over the years, as even in the British economy there has been some trend increase in output per worker. The cost of labour figures are therefore But it is important not to divided by a productivity index throw out the baby with the to obtain the "real product wage" shown in the chart. The between wages and jobs, but it Midland Bank conjecture is that is real wages and not money changes in this wage affect employment after a lag of two

It will be seen that the explowages to employment. The sive rise in real product wages higher are real wages, every in the late 1960s and mid-1970s thing else being equal, the was associated with a dramatic lower is employment. Thus, if drop in employment. The fall in real product wages in 1975-77 has been associated with a modest employment recovery.

There remains the question ciple is easy to state, there are of why the much gentler rise many difficulties in observing in product wages in the 1950s its operation. There are many and earlier 1960s did not hit the influences apart from real wages employment in the way the later on employment; and the time increases did. My own suggestion, slightly different from the The summer issue of the Mid- Midland author's, is that capital land Bank Review, contains a stock increased so quickly in pioneering attempt to measure relation to the labour supply that the market-clearing real

In the present situation why wages rise in industry product wages from rising exseries is then divided by the lack a general theory of employ-

> Agony and Ecstasy. 11.30 The Devil's Music. 11.55 Weather/Regional News.

All Regions as BBC1 except

Weather for Wales. Northern Ireland—4.18-4.20 pm

Northern Ireland News, 5.55-6.20

pm Scene Around Six. 11.55

News and Weather for Northern

9.00 News.

First Test— 10.10 Don and Pete, 10.15 Hous

in black and white at the following times:

6.40-7.55 am Open University Scotland — 9.59 am Magic
(Ultra high frequency only): Roundabout. 9.55 Jackanory.

England v Incia. 1.30 pm Trump Kong Phocey. 10.35-10.55 Take ton. 1.45 News. 2.10 Cricket: First Hart. 5.55-6.20 pm Reporting Test. 4.18 Regional News for Scotland. 11.55 News and England (except London). 4.20 Weather for Scotland.

t Play School (as BBC2 11.00 am). Wales—L30-L45 pm Pilli Pala. 4.45 Jigsaw. 5.10 Big John Little 5.55-6.20 pm Wales Today. 6.55-John. 5.35 Captain Pugwash. 7.20 Heddiw. 11.55 News and

in today's line-up: Rathdowney. East (Norwich): Look North (Leeds, Manchester, Newcastle); 9.25 Royal International Horse Midlands Today (Birmingham): 10.45 Dame Edna Everage, her Points West (Bristol); South To-

day (Southampton); Spotlight South West (Plymouth). BBC 2

6.40-7.55 am Open University. 11.00 Play School 4.30 pm Cricket: First Test 6.30 Open University.

6.55 Pick of the Philpott File.

10.50 Cricket: First Test (high-

11.20 Return Call to Brass

England—5.55-6.20 pm Look 11,30 Late News. F.T. CROSSWORD PUZZLE No. 4,022 11.45 Heute Direkt (News in German).

LONDON

9.30 am Beyond the Moon. 10.00 The Open Air. 10.30 Car-toon Time. 10.40 The Coral World. 11.30 The Building of The Tower of London. 12.09
Jamie and the Magic Torch.
12.18. vm Rainbow 12.38 Emmerdale, Farm. 1.00 News, plus FT Index 1:20 Thames News, 1:30 All About Toddlers. 2.90 Rum-nole of the Bailey. 3.00 Monday Matinee: "Mrs. Sundance." 4.20 Clapnerboard, 4.45 Why Can't I Go Home? 5.15 Survival

5.45 News. 6.00 Thames at 6. 6.35 Crossreads. 7.00 Oh Boy! 7.30 Coronation Street.

8.00 Shonner's Patch. 8.00 World in Action. 9.00 Spearhead 10 00 News. 10.30 Morday Star Movie:
"Woman Times Seven."
starring Shirley McLaine.
12.25 am Close: Personal choice

hy actor George Baker. All IBA Regions as London except at the following times:

ANGLIA

10.30 am Steel Away. 10.55 Oil
Exploration in the South West. 11.20
The Notional Benzole Master Rowler

RADIO 1

RADIO I
(S) Starsophonic broadcast
† Medium Wave
5.00 am As Radio 2. 5.00 Andy
Peables 9.00 Smon Bates: 11.00 Radio
1 Rozdshow. 12.30 pm Newsbeat.
12.45 Paul Burnett: 2.00 Peter Powell
4.37 Kid Jensen. 7.00 Stayin Aive.
8.00 Mike Read. 9.50 Newsbeat. 10.00
John Peel (S). 12.00-5.00 am As
Radio 2.

7 A sign that is found in Roman art (5)

13 Eruptive wine-bowl (6)
14 Eruptive wine-bowl (6)
15 Custom includes thanks for an abode (7)
18 Writes for Time initially in islands, west or east (7)
20 Presides with the cleaners about one (6)
22 Let it turn to a mark of distinction (5)
24 What pleases the golfer may lead up to a stately home (4, 5)
25 Complex form of antic rite (9)
26 A political party has one

7 A sign that is found in Roman art (5)
3 Set off for appointment about the college (S)
3 Set off for appointment about the college (S)
3 Set off for appointment about the college (S)
3 Sailor in southern church needs a stiffener (6)
4 Set off for appointment about the college (S)
5 Sailor in southern church needs a stiffener (6)
4 Sailor in southern church needs a stiffener (6)
4 Winks for (6)
6 "His teeth I've enacted shall all be extracted by—amsteurs" (Mikado) (9)
6 Region where Diana is over-rigorous (8)
7 Rabil (2)
7 Som News Summary 5.03 Tony Waggoners Walk. 12.30 Darek Hobson's Open House (S). 2.15 David Hamilton (S). 4.15 Much More Music (S). 5.00 News. 5.05 Waggoners Walk. 5.20 John Duon (S). 6.45 Music from the sick-bay (6)
7 Ruler seen last month in the sick-bay (6)
8 Set off for appointment about the college (S)
8 Sailor in southern church needs a stiffener (6)
8 His teeth I've enacted shall all be extracted by—amsteurs (Mikado) (9)
8 Rabil (2)
8 John Peer (S). 12.05.00 am News Summary. 5.03 Tony Waggoners (S). 7.32 Terry Woggn (S). 10.63 Jumny Young (S). 2.15 David Hobson's Open House (S). 2.15 David Hobson's Ope

RADIO 3 6.55 am V/eather. 7.00 News. 7.05 Overture, part 1 (S). 8.00 News. 8.05 Overture, part 2 (S). -9.00 News. 79.05 28 Wherein quatorze juillet with names of winners next (5). 9.35 Spanish Plano Music (5). falls (8) Saturday.

Test—England v. India. including 1.35 pm News. 1.40 Your letters answered. 2.00 Lunchtime scoroboard. 6.40 At Home. 7.10 Pred Piper (\$). 7.30 Schubert and Mahler concort, part 1 (\$). 8.00 Petrorch and his Successors. 8.20 Concert, part 2 (\$). 10.00 Mmd. Matter and Mesbanjam. 10.45 Wolffand Vienness Late Romantics (\$). 11.25 Jazz in Britain. 11,55-12.00 News.

(S). 11.25 JB22 in Britain. 11.55 JEAN
News.
VHF with Medium Wave except 5,00-7.00 am and 11.25.7.10 pm as follows—
6.00-7.00 am Open University. 13.25
Music from Russia (S). 12.05 pm Reget
Liverpool Philhermonic Orchestra. pert
1 (S). 1.00 Nawe. 1.05 RLPO. pert 2.
(S). 1.40 Music for Organ (S). 2.29
Matines Musicale (S). 3.20 Mean
Records (S). 4.45 Light Music Music
Livers (S). 5.45-7.10 Open University.
D 4 DTG 4. RADIO 4

RADIO 4
6.00 am News Briefing, 6.10 Farming Vicek, 6.25 Shipping forecast, 4:30 Today, including 6.45 Prayer for the Day, 7.00, 8.00, Today's News, 7:30, 8:30 News headlines, 7.45 Thought for the Day, 8:35 The Week on 4, 8:45 John Ebdon with the BBC Sound Archives, 8:00 News, 9:05 Start the Vicek with Richard Baler, 10:00 News, 10:05 Widdlife, 10:30 Daily Sorvice, 70:45 Marning Story 11:00 Roger Cook Reports on an American millionaire's business gamble, 11:45 Listen With Mother, 12:00 News, 12:02 pm You and Yours, 12:07 Frain of Britain 1979 (5), 12:55 Weather: programme news, 1:00 The Viorid at One, 1:40 The Archers, 1:55 Shipping forecast, 2:00 News, 2:02 Woman's

BBC Radio London

London Broadcasting

1973. This is due almost en of the criminal law. Chronic offenders are all-too tirely to the activities of the obviously undeterred by what security forces and of the terrohas already happened to them rists.

important question is the or by the prospects of the The restorationist might relationship between legal punishments to come. The per- argue that the death rate would

THE WEEK IN THE COURTS

BY JUSTINIAN

tion are low? Or put con-versely, what level of punishment is sufficient to deter when chances of detection are sion kills, or the politically fal punishment been available that may sustain the restora-tionists is the supposed deter-cases? motivated terrorist, are least as an additional instrument for rent effect of capital Where certainty of detection punishment. Simplistically, it is high, there is some evidence Where certainty of detection likely to be affected by the threat of any punishment. that severity of penalty has an

punishment by the courts.

offenders may be more amenable to threats of the more severe penalties as deterrent measures, but they are almost invariably the candidates for sympathy, or even mercy. The parent who kills his or her mongol child, or the husband who kills his ailing wife, or the wife who kills the brutal husband are not the archetypes for the imposition of the dea-

standing about the efficacy of penalty. Terrorism prompted the last Commons debate on the issue in 1975. On that occasion the fashion to the same deterrent. majority against a return of the death penalty for such killings

Lengthening his stride impres-

sively he quickly asserted over-

whelming superiority over

Olympus whom he was meeting

on 8 lbs worse than weight for

If, as was the case with

Busted and several of his off-

spring Buttress is only now in the second half of his three-year-old season, beginning to

show his best, there is no doubt

that the St. Leger target is for

from out of reach. I expect the Queen's colt to put himself

firmly in that classic picture

AYR

2.30-Bird Reserve

3.30-Buttress***

4.00—Avikdheer*

5.00-Lana's Secret

4.30—Henham Lodge**

SCOTTISH

SOUTHERN

3.00—Toistov

comfortable

another

sistent robber who on one occa- have been even lower had capithe control of terrorism. If no one can positively gainsay that

> terrorists has been before a with in our civilised criminal single judge. Part of the price. of establishing the Diplock. If the judiciary as a whole courts and taking away the would not welcome the return right of jury trial was to of the death penalty, likewise

society that did not prescribe the ultimate sanction for marder, they would so readily accept the consequences of bringing in guilty verdicts, and would incline to acquittals. The attitude of indges, too, cannot be over-looked. Nearly 90 per cent of the High Court judges are post-1965 appointees.

While every judge would loyally perform his judicial duty passing the sentence prescribed by law, there would be Fairly inexperienced or first unproved argument, there is a degree of unhappiness among severe practical consideration a majority of the judges at being that militates against the return a party to a practice that, for of the death penalty. Ever since 1973 the trial or decency, had been dispensed justice system. If the judiciary as a whole

There is also the question

remove the risk of hanging an the prison service would not reinnocent man. Were the death spend willingly to the task it penalty to be restored in North would have to perform. The ugly them Ireland, the demand for histories of taking a man to the trial by jury would be over scaffold is not a feature of a whelming.

Service that has propagated the of a quest for distinguishing.

And it is relevant to note that view over recent years that between degrees of marder in introduction of majority prisons are for humane contains chimerical and had to be verdicts in jury trial in England ment of the prisoners sent abandoned.

Counting the cost of the death penalty a sense of the consequences of was in inree agures.

The experience of the past able by the absence then of the postruction of only a handful pulsive rather than reflective few rears in Northern Ireland is death penalty. Any return to of human lives sits uneasily with received with according with according with according to the consequences of the past able by the absence then of the postruction of only a handful few rears in Northern Ireland is death penalty. Any return to of human lives sits uneasily with according to the past able by the absence then of the postruction of only a handful few rears in Northern Ireland is death penalty. Any return to of human lives sits uneasily with according to the past able by the absence then of the past able by the absence the past ab action, with neurotic difficulties, particularly relevant. The that penalty would presumably a service that has prided itself whose attitudes to authority are number of deaths due to civil have to be accompanied by a on increasing professionalism. A disturbances has dropped and the penalty would presumably a service that has prided itself number of deaths due to civil have to be accompanied by a on increasing professionalism. A inappropriate, not to say disturbances has dropped provision for unanimous ver new generation of prison chaptains, seriously unbalanced — are dramatically following the about dicts in murder cases. This governors and prison chaptains, relativally impures to threate of littles of the death normality for unanimous ver new generation of prison chaptains, and prison chaptains relatively immune to threats of lition of the death penalty in would present an untidy aspect. not to mention a high proportion of prison officers, feel that the abolition of the death penalty 14 years ago was one of whether nowadays, with much the few brighter aspects of a sounger jurors brought up in a prison system that has been conthe few brighter aspects of a

stantly in a state of crisis. Even if the vote on Thursday is to be in favour of restoration of the death penalty and all the predictions are that there will be a small majority for not returning to it there would still be the further hurdle of legislation to reintroduce the penalty into the law. Almost all the advocates of a refurn accept that there would need to be a distinction between helicons murder, for which the murderer would be liable to the death penalty and other murder cases that would be subject to the lesser penalty; of life imprisonment.

But the experience of the Hemicide Act 1957, that sough to make just such distinctions. was not a happy one. That ex-perience led Lord Patter, the last Lord Chief Justice, to become an about unenthus asseabolitionist. As the Royal Con-mission on Capital Punishment in 1953 concluded for object

Buttress looks sound

pretender

WHEN THE House of Commons less than 15 years.

14 years since abolition.

The growth in the absolute

number of murders, the inci-

dence of death from terrorism,

the problems facing the prison

service with an accumulated

population of life-sentence

prisoners totalling about 1.500

and the political and social

climate that surrounds the issue

today as opposed to the era of

the abolitionist movement that

gained strength since World

War H-all these are central issues that will occupy the

The only recurrent argument

is asserted that since abolition

the murder rate has increased,

crime, the threat of the loss

There is, in fact, no evidence

to support the view that the

death penalty uniquely deters

potential murderers — that is, deters them more effectively

than the present alternative

penalty, the mandatory sentence of life imprisonment. The

alternative of a long time in

prison for the murderers who

would be the prime candidates

for hanging were that penalty

available, means something not

of the offender's own life.

and that this is in part at least

capital

due to the absence of that most at which this happens varies powerful deterrent to serious with the nature of the offence

speeches of MPs. -

on Thursday debates the Such a penalty need be no restoration of the death penalty less of a threat. Were death

the arguments are likely to sentences, or other extremely

focus on the events of the past unpleasant penalties, awarded

for shop-lifting or dangerous

driving, for example, they could

The nature of punishment for

crime is not an irrelevant con-

sideration; but the really

relationship between legal

standards and subjective assess

ments of unpleasantness. At

what point does severity of

punishment start to take effect,

even when the chances of detec-

independent deterrent effect.

The problem is that the point

and the offender's motivation.

But the existence of the most

severe penalty may actually

reduce the certainty of its

imposition. Juries are less

likely to convict if they do not

feel the death penalty ought

The main cause of misunder-

deterrent measures is the

failure to appreciate that not

everyone is responsive in like

Certain people - those lacking

and Man Alive. But it is diffi-cult to see the finish not

developing into a straight fight

between the remarkable Sea

There is now little doubt that

RACING

BY DOMINIC WIGAN

this year's second season per-

formers are above-average and

although Brian Taylor's claim

that "apart from Troy there is

no three-year-old in the country

who could beat Buttress" may

be a little sweeping, the colt

. This chestnut son of Busted

landed the Queen's Vase with

and the classic

Majestic Maharaj, Palm Island from the finish by Carson

age terms.

to he imposed.

probably be shown to be very

THIS AFTERNOON at Ayr. Buttress sets out on the second leg of a three-race St. Leger preparation which so nearly paid off with Le Moss a year

Warren Place proved a worthy winner of last season's Tennent Trophy, holding off Sea Pigeon by a neck following a head success in the Queen's Vase the previous

moatk. Today Buttress joins the fray for the Tennent Caledonian Breweries race with a threelength victory, under 5 lbs more than Le Moss in that same Royal Ascot event behind him. However, the Queen's three-year-old today meets Sea from doing this by the high ex- Pigeon on 3 lbs worse than

weight for age terms and clearly has a stiffer task against the Easterby nine-year-old on that scale compared with Le Moss who was taking on the veteran There are four other runners

Third into the home straight at Ascot the West lisley colt, a son of that high-

should win here. ..

class 10-furlong mare. Albany. was sent for home a furlong Championship. 11.45 Oscar. 1.25 pm Anglia News. 2.00 Houseparty. 2.25 The Love Boat. 3.20 Rumpole of the Beiley. 5.15 Ger Some In. 6.00 About Anglia. 10.30 Speedway. 11.00 Feature Film: "The Long Ride Home." 12.40 am Reflection.

SCOTIISH

10.30 am Steaf Away. 10.55 Oil
Exploration in the South West. 11.20
The National Benzole Master Bowls
Championship. 11.50 Oscer. 1.25 pm
News. 3.00 Laverne and Shirley.
3.25 The Life and Times oil
Grizzly Adams. 5.15 Popeye. 5.20
Crossroads. 6.00 Scotland Today—
Summer Extra. 6.30 Crimedesk. 6.45
Sounds of Vince Hill. 10.28 Scottish
News Heedlines. 10.30 Colgate World
Mixed Gdll Championshipa. 17.30 A
Question of Sex. 12.15 am Late Call. 10.30 am Dick Tree; 10.35 Sesame Street, 11.35 Ghoat Busters, 1.20 pm ATV Newadesk, 3.00 Movie Matines; Della, starring Loso Crawford, 6.00 ATV Today, 10.30 Left, Right And Gentre, 11.00 McCloud, 12.25 am

BORDER .

7.45 Mid-Evening News including sub-titles.
7.55 For Valour.
8.10 The Waltons.
9.00 Barbara Fairchild Sings
Country.
9.25 Inside Story.
10.20 Verse, Worse and Baby
Grand.
10.50 Cricket: First Test (high-CHANNEL

1.20 pm Channel Lunchtime News and What's On Where. 3.00 The Monday Matines: "Lanigan's Rabb." 5.15 Cabbs:es And Kings. 6.00 Channel News. 5.10 The Beverly Hillbillies. 10.28 Channel Late News. 10.28 Channel Late News. 10.35 Sounds of Summer. 11.05 Feature Film: "Some Girls Do." 12.40 am News and Weather in French followed by Channol Gazette.

GRAMPIAN : 9.25 am First Thing. 10.30 Steal Away. 16.55 Oil Exploration in the South-West. 11.20 The Netional Benzole Master Bowler. 11.45 Oscar. 1.20 pm Grampian News Headlines. 5.75 Out Of-Town. 8.00 Grampian Today. 6.05 Figir. 10.30 Reflections. 10.35 The Monday Thirlier: "The Heroin Gang: 12.10 am Grampian Late Night Headlines.

GRANADA

VIKAINALA

10.30 am Sesame Street. 11.25

Valley of the Dinosaurs. 11.45 A Handtul of Sengs. 1.20 pm Cartoon. \$3.00

Monday Matines: Young Wives'

Tals." 5.10 The Undersea Adventures
of Captain Nemo. 5.15 Crossroads.
6.00 Granada Reports. 6.25 Get Sories
Int 10.30 The Monday Thriller: "The

Sargeant."

HTV HTV

10.30 am Steel Avav. 10.55 Oil Exploration in the South West. 11.20 National Benzole Master Bowls Chempionship. 11.45 Oscar. 1.20 pm Report West Headlines. 3.00 The Monday Matinest: "Mobile Two." 5.15 The Undersia Advantures of Captain Nemo. 5.20 Crossicads. 5.00 Report West. 6.22 Report Wales. 10.35 Cinema Club. HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawddu Newyddion Y Dvdd. 6.00-6.22 Y Dydd. 8.30-9.00 Yr Wythnos. 10.35-12.20 am Cinema Club. "Cam y Tad Mouret." (This, film is dubbed in Welsh with English sub-titles.) HTV West—As HTV General Services except: 1.20-1.30 pm Report West Headlines. 6.00-7.00 Report West.

9.25 am The Good Word followed by North East News Headlines. 10.30 Steal Away. 10.55 Oil Exploration in the South West. 11.20 The National UK Bowls Championship. 11.45 Oscar and the Greet Wooferoo. 1.20 pm North East News and Lookeround. 3,00 Monday Maines: Dolla." starring Joan Crawlord. 5.15 The Best Disco in Town. 6.00 Northern Life. 10.30 Cash and Company. 11.30 A Question of Sex followed by North East News Headlines. 12.15 am Epilogue. ULSTER.

ULSTER

10.30 - am Steal Away. 10.65 Oil
Exploration. 17.20 The National Benzole
Master Bowls Championahip. 11.45
Oscar. 1.20 pm. Lunchtmes. 3.00
Monday Matings: Dalls, starring
Joan Cowford, 4.18 Ulster News HeadIncome Start Construction Start Construction

WESTWARD VESTWARD

10.30 am Steef Away. 10.55 Oil
Exploration in the South West. 11.20
National Benzole Master Bowler Championships. 11.45 Oscar. 12.27 General
Heneybun's Birthdays. 1.20 Westward
News Headlines. 3.00 The Mondey
Matinee: "Lanigan's Rabbi." 5.18
Cabbages and Kings. 8.00 Westward
Diary and Sports Desk. 10.32 Westward
Diary and Sports Desk. 10.32 Westward
Clary Bowley Commer. 11.05 Feature Film: "Soma
Girls Do." 12.40 am Feith for Life.
12.45 West Country Weather and
Shipping Forecast.

YORKSHIRE

10.30 am The Herbs. 10.45 Echo of the Wild. 11.35 The Roman Holidsys. 1.20 pm Calendar News. 3.00 Monday Matines: "McMillan." 5.15 University Challenge. 6.00 Calendar (Emlay Moor and Belmont eds). 10.30 The Collendar Question. 11.00 Barney Miller. 11.30 A Question of Sex.

Hour. 3.00 News. 3.05 Altermoon Theetre. 4.35 Story Time. 5.00 PM News magezine: 5.50 Shipping forecast. 5.55 Wearher, programme news. 6.00 News. 6.38 I'm Sorry I Hayan't A Clue (5). 7.00 News. 7.05 The Archers. 7.20-From Our Own Corneapondent. 7.45 The Monday Play (5). 9.15 Meny Happy Raturns. 8.30 Kaledoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Cornearation. Place with conductor Reymond Leppard. 11.00 A Book Af Bedtims. 11.15 The Financial World Tonight. 11.30 Today in Pullament. 12.00 News.

5:00 am Monling Music. 8:00 The AM Show. 10:00 Brian Hayes. 1:00-8:00 pm LBC Reports with George Gale. st 3 00. 8:00 After Eight. 9:00 Nightling. 1:00 am Night Extra.

Capital Radio

6.00 am Graham Dene's Breakfast Show (5). 5.00 Michael Aspel (5). 12.00 Dave Cash (5). 3.00 pm Roger Scott (5). 7.00 London Todey (5). 7.30 Open Line (5). 9.00 Your Mother Wouldn't Like It (5), 11.00 Lato Show (5). 2.00 am Pater Young's Night Flight (5).

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LOTTLETON (proscentom stage): Ton't 5 Tongr 7.45 THE PHILANDERER by

5 Tongs 7.42 INE PRESENTATION OF TO Shaw.
COTTESLOS (small seuditorium; Mon to Sai: et 3.00 Michael Horr's DISPATCHES adapted for the stepe by Bill Bryden and the company Derhaps not suitable for children ches assents from 10 sm der of perf. all 3 beatres. Car perf. cressurant 528 2033. Credit card bookings. 228 3652. Air conditioning. 287 7516;

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ROSAL COUNTY, 730-1745. Air road,

EVER. 7.30. 3414. 4.30. 311. 7.50.

EVER. 7.30. 4.30. 4.30. 311. 7.50.

EVER. 7.30. 3414. 4.30. 311. 7.50.

EVER. 7.30. 3414. 4.30. 311. 7.50.

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tomorrow): 2. PLAYERS (A), Week & Sun. 2.08 5.00. 8.10 (last 5 days), Matince on Prog. dary 2.00, 4.10, 6.25, 6.45,

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12.36, 3.95, 3.40, 5.20,

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2.20, 4.55, 3.40,

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5. LAST 3 DAYS! KENTUCKY PRIED MOVIE (B). Props. 2:00, 4:20. 8.50.

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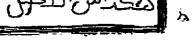
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Theatre Upstairs

Marie and Bruce

by MICHAEL COVENEY

Wallace Shawn is an Ameri beauty of Mr. Shawn's writing, There is a lot of faecal imagery can actor and playwright whose but also by the technique in Marie's abuse. Bruce takes A Thought in Tissee Ports at the its construction Marie addresses all that on the chin, but is comRGA in 1977, provoked uproar us more often than Bruce, but A Thought in Three Parts at the its construction Marie addresses ICA in 1977 provoked uproar us more often than Bruce, but in the Press and questions in both have revealing soliloquies Parliament. The play was frank where the temperature of the prose is deliberately heightened; may mean only that I was not may mean only the ton temporary theatre. We get ser tall, about sexmally to flowers, heat horness and the appeal of a friendly dog. Bruce's turn temporary theatre. We get ser talls of inviting nipples in an all right, but not much intellibrately dog. Bruce's turn temporary theatre. We get ser talls of inviting nipples in an all right, but not much intellibrately dog. Bruce's turn temporary theatre. We get ser talls of inviting nipples in an unknown woman as seen from a hotel bedroom.

Shawn examines the dead wood of a New York relationship like some wry beachcomber on the middle of these private dream worlds; we have the arid relative, a spartan no go area brilliantly realised. Hartwell's design with antiseptectivity and minimal furniture. The play proceeds as a series done a fine job of bouncing the language around, so that you are listen impressed by the definess and ing to something well written, in the theatre that you are listen in the theatre that you are listen.

when a reconciliation dinner is punctuated by a neighbouring diner's graphic account of a bowel disorder. "Action" in Bruce's book, I should add, means a faint gesture of dis-approval, a resigned scowl. The dinner follows a party

where the recriminations and solo confessions have continued unabated. Other guests flit hilariously across the stage, like mobile cartoons flapping at such party-time topics as illiteracy. poverty and paranoia in the office. Stephanie Fayerman and Philip Donaghy are superb as the couple, she full of contained aggression and well-phrased venom, he a ruffled picture of stack-jawed imperturbability. In a thin year for new plays, this is one I have enjoyed most so



Philip Donaghy and Stephanie Fayerman

Berliner Theatertreffen

Women, women, women

by RONALD HOLLOWAY

Galotti from the Burgiheater in Sophicles, this was both a Vienna; Thomas Brasch's pleasure and a relief.

Lovely Rife from the Wer I Ernst Wendt's production of am Halleschen Ufer in West

(instead of the overlapping room in the rear where a police gold medal and £3,000. Ian, who March to March scheme). How drilling of Lovely Rita takes was the Manchester area finalist. that will rule out favouritism piace. is questionable, but at least the

1 Ernst Wendt's production of kraumtheater of the Munich Brasch's Locely Rita (Münchner Kammerspiele; and Botho Kammerspiele) should never Strauss Gross und Klein have been staged for 99 cuslost its character in leaving the cellar for an auditorium. Like the theatre festival fell by the Rainer Womer Fassbinder's film, because of absence from the ate post-war years in Germany tion & Detroit at the Schau- his exile in the West). Its a play a four-and-a-half-hour quest for ühne in Berlin about a 17-year-old (Lisi Man the meaning of life adds up to a Members of the ten-person gold) whose movie phantasies long evening.

memoers of the ten-person gold) whose movie phantasies jury openly referred to the lead to the killing of an selection as a "scandal" or (American-Russian) officer she prejudicial to "favourites" (a is living with, but it also treats common illness at the Theater (why not?) the problem of treffen). The Director of the anarchy today The entire action Berlin Festivals. Dr. Ulrich takes place in the seating portion Eckhardt countered by changing of the theatre (the audience sits the dates of next year's festival on the state) the most improve Eckhardt countered by changing of the stage), the most impres. Symphony. Orchestra music the dates of next year's festival, on the stage), the most impres. Symphony. Orchestra music thereby including the product sive scene staged behind the scholarship is Ian Bousfield, thereby including the product sive scene staged behind the scholarship is Ian Bousfield. of the entire season glass windows of the technicians

Perhaps it was only a coin critics on the jury will have to cidence, but all the productions give evidence of seeing every in this. Pear's Berliner thing in search of the best. As Theatertreffen, the annual it is now, the only criticion that the Death Destruction and Detroit, rounding of the season's most applies is window-dressing. The one production that was conceived (and written) with women three versions of weathered the critical storm with the current Schaubühne Sophocles' Antigone (in was Nicolas Brieger's Maria experimentation phase in mind: Friedrich Hölderlin's transla. Stuart (Bremer Theater) a the five-and-a-half-hour marathon that hour marathon that he schiller Theater Berlin; Schiller without exaggeration or used images, litanies, lighting, and the Schiller Theater Berlin; technical pomp but respect for Schiller's Maria Stuart from speech and ensemble acting. In the human psyche without any Bremen; Lessing's Emilia constast to the mutilation of evident rhyme or reason—six-Galotti from the Burgiheater in Sophocles, this was both a teen scenes of myth and magic teen scenes of myth and magic and numbling on the twentieth

century in decay and ruin. The same esoteric, albeit fascinating, embrace by a stage (Big and Little), seaturing the tomers on grandstand seats in the self summarised Peter stations in life. of a woman the roomy Freie Volksbulme, Stein's production of Strauss's named Lotte, at the Schaubühne particularly as this was origin. Big grand 1991. ally a workshop presentation and pavilion (formerly at a filmstudio) rented for the occasion by the Schaubühne. Our heroine. Lotte (Edith Clever), gradually wayside due to technical and The Morriage of Maria Braun, suffocates to death in the artistic difficulties, or simply this is a chronicle of the immedi-modern-day hot-houses of the Spiessbürger: a trip to Morocco repertory schedule. They were (Brasch, a former East German to a vacation paradise, a garden Schiller's The Robbers at the dramatist, couldn't stage his on the island of Sylt, a doctor's Düsseldorfer Schauspielhaus experimental play in the German office, street scenes and bedroom Strauss' Big and Little at the Democratic Republic in the past romps, an ever-changing Holly-Munich Kammerspiele, and and now has conveniently wood movie set (staging by Karl Robert Wilson's Death Destruc- changed the play's context to fit Ernst Herrmann). All the same,

> £3,000 and gold medal for young trombonist The winner in the national final of this year's Shell-London is still at school and plays the Stage design has also become trombone.

Architecture

Sheer aesthetic pleasure

by COLIN AMERY.

The Architectural Associadescribed in a recent letter to the Financial Times as the the Financial Times as the oldest, largest and best architectural school in the world. These generous claims can easily be tested by a visit to this year's annual exhibition of students work. It is an impressive show. The AA occupies some of the elegant houses on the west side of Bedford Square and a visit to the exhibition involves a complicated tour of involves a complicated tour of the school's premises the visitor leaves with a fairly vivid impression of how the AA works.

The school is a unique combination of learned society, club and informal centre for the enjoyment of architecture. It has a membership composed of practising architects, teachers, students and others with a lay or professional interest in architecture. It was founded in 1847 to widen the education of architects, who were then mostly trained in the pupillage system, and it remains the only inde-pendent school in the country. This independence is a great asset and the extraordinary range of work currently on

Round House

The Architectural Association School of Architecture was show is that the AA staff and described in a recent letter to the Financial Times as the oldest, largest and best architecture was strategy for the future of architectural Association of form and meaning. Eric Parry and Philippe Aries show designs for the Financial Times as the oldest, largest and best architectural association of form and meaning. Eric Parry and Philippe Aries show designs for the future of architectural Association of form and meaning. Eric Parry and Philippe Aries show designs for the future of architectural Association of form and meaning. tecture, but to re-examine archidetermination to reinvest new ence of Schinkel, Rossi, Krier architecture with meaning, and this has involved the students does impose a rather aggressive in a difficult reinterpretation of archetypal forms. This task has archetypal forms. This task has led to an encouraging reappraisal of the role of architectural history which has now been given a more creative part to play in the design process, instead of its more usual academic background role. Professor Colin Rowe, the Englishhorn professor of architecture

born professor of architecture at the University of Cornell, recently spoke in London about the need for modern architecture to be fertilised from other cultural disciplines, and this is what is so evidently happening at the AA today.

hibition are those concerned

Prometheus by B. A. YOUNG

The Round House auditorium figures (built from wire and exhas been cleared of its circle of hibited on the heads of male volunteers from a rather scant seats to give more room to the nudes) that gave birth to the house than he had in Dublin.

ing not only about the stage

Suoraan by Dominic GILL

for composers) do not nonethe-

other parts are finished they

will more clearly justify the

For the rest, Nancy Ruffer

What with yesterday's theatri-

off en route to draw their pen-

up to at the ICA. Not very much

is the answer, unless you happen

to be a photographer interested

The penultimate concert of I am not entirely convinced that Finnissey gave

ICA Theatre

Living Theatre for their produc- elements. The text, not all

is more lively than when I saw it is spoken, chanted or it at the Olympia in Dublin, but sung, is accompanied by movethat doesn't mean it's very ment that I hardly dare call

lively. The actors who wander dance, though clearly it takes, about shouting, or whispering, as W. S. Gilbert said, a deal of seminal phrases at the beginning are now able to come between the benches that fill ing not only about the stage

what was half of the round but up and down the elaborate stage, but this hardly seems scaffolding devised by Julian

worth while when you discover Back and Apollo Broom. We

that all they are saying is slip from myth to myth— "They are burning down their Orpheus, Pythagoras, Metis, Io

own houses " or "We wanna zap them with holiness."

The first act, in fact, is pretty much of a mess, 75 minutes of assorted mythology in which Prometheus's theft of fire from the gods is blended with Mintar Pales. Pythagoras, Metis, Io (Judith Malina, pursued by the Furies, Wittgenstein, Schopenhauer and Simone Weil, until she is left wailing that she can't pay her gas bill).

the gods is blended with Winter Palace, is more fun. Mr. references to Gandhi and to Zen Beck, who wrote the script and Buddhism and to the five solid directs the performance, had

St. Bartholomew-the-Great, EC1

fragmentary festival of 20th-

century music at St. Barts was

given at hunchtime on Saturday

by the English ensemble with

They played five works, two for

the first time. Richard Emslev's

At Once . . . was a prettily made

lyrical essay, neatly worked, for

a quartet of piano and percus-

sion, oboe and flute. The open-

ing conjunctions (four players

quickly to opposition, and finally

to disintegration; there is

opportunity meanwhile for some

imaginative conversation especially between partners, percussive and wind: leaping

figures tossed between players,

a mournful thematic fragment

discussed, but never resolved, by

oboe and flute. Short (seven

Under the eyes by Nigel

Osborne, for voice, piano and

percussion, is two sections only

of a projected five-part work called Night Ferry — settings

with instrumental interludes of

words by the Ulster poet Tom

Paulin. In its simple gesture

and spare texture, the music

reflects the fierceness and directness of the language; the

match is careful and effective.

minutes) and elegant.

turn

together "at once")

the Finnish name of Suoraan.

a city Necropolis that crystallise dramatically the return of sym-bolism and monumentality to formality on many of the projects, but throughout the exhibition there is a return to the sheer aesthetic pleasure of

One of the features of the AA school has always been that it has welcomed and benefited from the large number of foreign students that study there. But there are serious fears that because the AA receives no mandatory support from local authorities or central government fewer and fewer British students will be able to afford to go there. It looks as though more than 70 per cent The most rewarding of the of the students next year will student projects in the AA ex- be from abroad unless there can be from abroad unless there can be increased financial support with the study of urban space. for British students. It is a sad
The fact that some of the irony that the best British
students demonstrate a high school of architecture should asset and the extraordinary students demonstrate a night school of architecture soound range of work currently on level of draughtsmanship is enhance such a small proportion of view certainly reveals no couraging, but it is not the most British students. The present slavish adherence to any important element. This sendoubt the vitality and compositive approach to drawing is a doubt the vitality and compositive.

Cast as Red Guards, terrorists,

Bolsheviks, Anarchists, pacifists,

women and actors, they were able to move freely all over the house once their rehearsal was

over. Unfortunately the action

is so often interrupted with verbiage that this act began to

feel as interminably long as the

first. But its moral is clear, that

the stealing of power, like the

theft of fire, is a dangerous practice that leads to the

imprisonment of Anarchists and

In Dublin, Act 3 was an invitation to demonstrate out-side the Ministry of Justice, and indeed the demonstration itself

complete with the stronger

members of the audience. Last

Thursday it was an invitation to demonstrate at Holloway Gaol.

Ferneyhough's little set of

quick, hard lines and austere

The title, like the show it

glossy publicity material pro-

either black or white and sport-

ing expressionless masks. Until.

half way through a very long 50

less stand more powerfully Epigrams for solo piano—whose alone, unadorned? — but these quick, hard lines and austere

unpaid gas bills.

Thomas Yang and Ann Dickie in "Celebration" Sadler's Wells

Night with Waning Moon

by CLEMENT CRISP

The worst thing about cast reappear cloaked before Christopher Bruce's new ballet, departing has the timeless given its first performance at beauty of Callot's drawings of the end of last week, is its pro- the commedia dell' arte. Pergramme note, which ascribes formances are most satisfying: such modish virtues to Colum- Sally Owen has both the vivacity bine as early championship of of temperament and the pathos women's rights and a fondness for Columbine; Thomas Yang, for reading. Beyond telling us Yair Vardi and Gianfranco that she was kind to her dear Paoluzi (as Pierrot, The Capold mother and had a light hand tain, and Harlequin) are no less

All this is words; what matters is that the ballet itself is well done, excellently designed by Pamela Marre, and Bruce brings to his choreography. The setting is a curved colonnade of charcoal-grey arches, surmounted by a starry dome. Through the arches we see the flashing, tattered reds and greens and whites of action finds Columbine courted, then brutalised by The Captain,

and finally consoled by Pierrot. The score is George Crumb's Lorca settings entitled "Night of four moons" for contralto (Doreen Walker, very good) and chamber group. Bruce finds last week's well-intentioned but the poems (a petennial problem strong performance of Brian as he has done in three previous works-a vivid response to Crumb's musical language: he fixes both its lyricism and its two sections were an intriguing colouring the acoustic also lent sparse, disturbing sonorities in dance scenes of quick, apt behind the piece seems gratuitous: movement is dramatic -Columbine by turns merry and then cruelly abused: Pierrot offering echoes of Fokine's creation in Le Carnaval; The Captain all vanity and opportunist

The final moments when the

foretaste: perhaps when the an unusual bloom. Vinko Globokar's playing on the trombone of his own Atemstudie is a bodily tour de force, compelling in its massive physical pregave a sound, well-prepared sence and concentration. David account of Berio's Sequenza for Powell's performance on the solo flute which gained some oboe of the same work disinteresting overtones and colour- covered a quite different blurs in the ample resonance emphasis, light, deft and amuslust-and sharp-edged. of the church; and Michael ing-and why not, for a change.

doodlings of a live, or relatively

Cronus Eleven by MICHAEL COVENEY

live,harpsichordist. Something along the lines of Zamyatin's One City is being attempted, presumably, as the sculptured landscape creaks slowly awake at the bidding of offstage footsteps, clanking

with the audience, who might and Canada next year. as well be looking at each other as at the show. Which is pre- of the orchestra's 75th annipaper in time to the painful cisely what I proceeded to do. versary

doors and piercing alarm bells.

with pastry, Bruce spares us directly communicative. And nothing in cataloguing her Pamela Marrz—who made the merits in the light of today's feminist battle.

Rashomon—is a theatre artist of real distinction.

The programme also brought the first London showing of Siobhan Davies's first work for rich in that allusive poetry that the Rambert company. Celebration is a set of dances, to contemporary scorings (by Nicholas Carr) of medieval organa and motets, which uses five couples. Its language is spare, contrasting slow solos with duets, group dances with moments when the costumes worn by Columbine, cast are grouped watching a Pierrot. The Captain, Harlequin single performer. A first veiw-Pierrot. The Captain, mariequin and four little Pierrots; the ing gives an impression of course and Columbine courted, unevenness of inspiration. I admired a solo for Lucy Burge in which turns and twists of the torso and arms found energy fading into a diminuendo as gesture expended itself: there are poses which hint at odd, sculptural images - as diverse as Gothic angels and reclining figures by Henry Moore — and sudden bright outpourings of musical form has evidently dictated the slightly nail manner of the choreography, but I need mystery. The philosophising a second look at Celebration to try and decipher its dynamic

> The inclusion of a workshop piece, I'll be in Touch, by Sally Owen and Leigh Warren, seemed ill-advised; I could find in it no merit as illustration of two poems by John Betjeman. The opening Running Figures, by Robert North, is pleasing be-cause of its absence of any pretention: it is an uncomplicated and agreeable study which offers exactly what its title suggests, and it is further enhanced by Geoffrey Burgon's Bach capriccio Goldberg's Dream, a score that beguiles the ears as North's dances do the eyes.

message-or the relevance of its

title, for it looks singularly

uncelebratory to me.

LSO's 1980 tour

The London Symphony Orchestra is being sponsored with £100,000 by American No contact is established Express for a tour of America The 19-day tour will be part

celebrations.

TENNIS.

BY JOHN BARRETT

cal arent gorde, the Living advertises, is meaningless. And,

Theatre, tottering back into the as night follows day, such fare

Round House (no doubt stopping is inevitably accompanied by

sions), it seemed a reasonable claiming its virtues. A construction to see what a much tion of tubular scaffolding is

heralded Dutch performance art inhabited by inanimate models

group, Taller Amsterdam, were and slow-moving actors, all in

in snapping pretentiously lit minutes, the actors don animal tableaux of shop-window manne- faces to read blank sheets of

Gower has the mark of greatness

with Build a graceful, played well, hoycliffing his cenhis highest score in first-class atmost languid mover, good committed, reaching his cenhis highest score in first-class looking with slightly delicate tury with sheer hard work, cricket and ended a comparateging and considerable per Gooch strong and imperial, and tively lean spell. Oddly, his features and considerable personal charm, David Gower has Botham powerful and bois record for his county has not all the characteristes needed terous, none made batting look been very fruitful this summer for the juvenile lead in British as easy as Gower with his replays of the 30s and 40s. Englishman to score a double century in a Test since the war and is plainly the most exciting batting prospect this country has produced since Ted Dexter

CRICKET

strude on to the international Gower's brilliant tour de that he has the application, physical and mental, to thousand runs.

Although ... his

a graceful, played well, Boycott intense and Gooch strong and imperial, and laxed stance, flowing backlift, in Gower's development by At 22, he is the youngest and full follow through. He is giving him an early opportunity a touch player, who caresses to play first-class cricket under meant that his innings would the ball to the boundary, but, Ray Illingworth and encourage have had a maximum of 29 because of his timing and style. him to best deep-set defensive

BY TREVOR BAILEY

fields. During his innings, Gower reached his thousand runs in force against India on a Test cricket. It has taken him benign pitch against an insipid only 20 matches fewer than any attack was significant for other English player since the achievement. Second, he gave will probably surprise many, no chance. Third, it showed and Ken Barrington, who both

has always been a hallmark of who achieved the feat in under the great player. Finally, my 20 tests are all immortals of abiding memory of his innings the game, Wally Hammond in features is the manner he puts will not be his score, but the 18, and those two superb York. elegant, almost casual, manner shire openers, Sir Len Hutton ball for four, rather than a in which his runs were col- in 16 and Herbert Sutcliffe in single, so that his score mounts a mere 12 faster even than Sir quicker than one realises. The the inspiration that separates colleagues Donald Bradman who took 13. case becomes even stronger now

ing him to go for his shots from obtains power which enables midway in their batting order. Now the time has surely come for him to move up their order from No. 5, to 3 or 4. Apart from Brian Davison who would have been a Test cricketer if South Africa had not been banned from the international scene, Gower is their most several reasons. First, there war The previous fastest were scene, Gower is their most several reasons. First, there war The previous fastest were scene, Gower is their most several reasons. First, there was The previous fastest were scene, Gower is their most several reasons. most brilliant player. It follows that the higher he bats the more took 22 tests to complete their opportunities there will be for him to score runs. This in turn The three England cricketers will benefit his club when it

Gower's double century was with the first innings artificially restricted to 100 overs. On a plumb pitch the opportunities of a No. 5 are liable to be limited in domestic cricket. When Gower went to the crease at Edgbaston, 71 overs had already been delivered. In a giving him an early opportunity county game this would have to play first-class cricket under meant that his innings would

Confidence plays a major part

only score more heavily for outside the off-stump early on. ment and a sensible approach, a long and distinguished career. well intended advice to cut out another accomplished accumuthe genius from the workman, doubles win against the same not understand the problems secure match play on clay porters in Europe.

batting and is directly derived from runs scored. As a No. 3 or 4 Gower should not Leicester, but would probably learn greater discretion just Blessed with a fine temperathis young left-hander, given the health, looks destined for There is only one real danger. The next time he encounters a lean spell he must ignore the this and that shot. Otherwise he could find himself just lator, shorn of the strokes and

Britain now faces tough tie in Italy GREAT BRITAIN yesterday two Spaniards on Saturday. completed a 4-1 win against The British pair car

Spain at Eastbourne in their first Davis Cup match of the 1979 campaign. It earned them a zone final against Italy in the second week of September, presumably in Rome. The Italians converted their overnight lead of two rubbers to one against 3-0 winning lead. Hungary and will start favour-In yesterday's dead rubbers beaten 6—3, 6—0, 6—4 by Jose Higueras, and, finally, with Buster Mottram and Manuel Orantes rested because of fit-

they did on Friday.
But, having achieved such a strong psychological position over the Spaniards, it was less Mark Cox completed the job with their 2-6, 6-2, 6-4, 6-4

The British pair came together for the first time last September against Czechoslovakia. In that tie, also played at Eastbourne, and against Australia in the semi-final at the Crystal Palace in October they won decisively to build a

ites to win for a sixth time dynamic vitality of David Lloyd since the war against Britain. is the factor which opponents find so difficult to tame. He against Spain John Lloyd was seems to inspire Cox to a level beaten 6—3, 6—0, 6—4 by Jose of consistency that, at 36, he does not always now command. Eastbourne has been a happy hunting ground for British ness doubts. Mark Cox beat Davis Cup teams since the war. Antonio Munoz 6—1, 6—3, 6—2. Of the 14 ties played at Devon-The British captain, Paul shire Park, Britain have now Hutchins, can be satisfied with a job well done. Few believed of view it was unfortunate that that John Libyd would win so Hungary did not succeed against decisively against Orantes, and Italy in Rome. If they had, Motiram against Higueras as there would have been another home tie at Eastbourne.

Not too much significance should be attached to John Lloyd's debeat by Higueras yessurprising that David Lloyd and terday. Those who regarded it Mark Cox completed the job as 93 minutes of misery for Lloyd and the British camp do team's preparation will be to noisiest and most partisan sup-

dead rubber. -but without the surge of

small margin. When he led will not deter this united team 4-2 in the third set there was —for it is unlikely that a lack of urgency about him that Hutchins will change the squad The sheer enthusiasm and allowed a smile or two at the next time. To have all four vociferous Spanish students players involved—two in singles
Hutchins would doubtless and others at a doubles pair have preferred a firm British is ideal for the Davis Cup. Itwin for he was conscious of was the foundation for Britain's the gamble of selecting Llyod successful run in the 1930s; in the first place. The No. 2 when Perry and Austin in the first place. The No. 2 when Perry and Austin Briton had won only singles shouldered the singles responsimatch since beating John Alex- bilities and Hughes and Tuckey auder last October in the semi- played the doubles. final. But the important thing is that he did win against final last year for the first time Orantes and win handsomely. in 41 years it would be great Moreover, he had worked as to believe that the same team never before during the pre- could go one better this year, vious two weeks and had and recall those glorious years' reached a peak of mental and of the 1930s. But Adriano physical fitness for the occasion. Paparta and Corrado Barazzutte. Hutchins' task will be to moti- the likely singles men, and

Italy.

facing players involved in a courts. The date of the tie follows immediately upon the U.S. Throughout, Lloyd was trying Open championships which, since last year, are played on a

adrenalin produced by a need to fast, cement-type surface.
win, he was missing the last
shot of so many rallies by a never beaten Italy since the war

After reaching the Davis Cup vate him to the same degree of Paulo Bertolucci, who will probreadiness for the match against ably play doubles with Panatta. will take some beating. A more difficult aspect of the particularly in front of the

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Monday July 16 1979

New departure in Italy

Pertini's bold attempt to solve Italy as a whole shows a remarkthe nearly seven month long Italian political crisis by asking the Socialist Party leader Sig. Bettino Craxi to try and form a government has put a cat among the Italian political

His move surprised everybody - including Sig. Craxi himself whose party failed to make the hoped for gains in fast month's inconclusive election but which nevertheless remains the largest left-wing party deemed eligible for full participation in Government. The Communist party, which polled three times the votes of the socialists in spite of its 4 per cent drop in the June elections, is still not considered eligible for inclusion in central government. It has, however, responded cautiously but on the whole favourably to the possibility of a socialist led admin-

Party's response

But it is the Christian Democrat party's response to the new initiative which really counts and the prospect of a government led by a non-Christian Democrat has increased the already considerable confusion their permanently divided and fractious ranks. soft is especially embarrassing for the party secretary Sig. Benigno Zaccagnini who was originally called in nearly four years ago to provide a fresh aird incorrupt leadership image to'a party then facing a massive challenge for primacy from the Italian Communist Party.

He faces a strong challenge to his position at the forth-coming CD party congress this autumn and would clearly not be helped if he allows the Premiershin to slip out of the hands of the party which has provided the country with all its Prime Ministers since 1947. The Communist challenge concentrated Christian Democrat minds wonderfully in 1976 potency of this challenge has been diminished by the PCI's poor showing at the last elections. What has not been diminished however is and which now extends well beyond it to the various radical

able ability to survive and even prosper despite an air of almost continuous political crisis. The economy in particular has benefited from the ability of Italian industry to design, produce and sell on world markets and circumvent obstacles placed in its way by top-heavy, big spending bureaucracy and militant trade

It is frequently argued that

The absence or irrelevance of government has forced Italy back to the form of organisation it can handle best — the small, often family based, economic unit and a kind of extended. cottage. using the latest technology but avoiding government control and union conditions. made Italy as a whole much richer than the official statistics admit and contributed to the building up of foreign reserves which now stand at nearly \$33bn-and this in a country virtually without energy and

But all this has imposed sweatshop working conditions on millions of non-protected workers in the submerged economy" and on the poor generally, who are also the hardest hit by the failure of government to provide an adequate health and social security service as well as a good educational

Political jam

Veteran socialist leader Pietro Neuni once said that Italian governments have always been strong against the weak and weak against the strong. The aim of the left in Italian politics state of affairs. The mere selection of a Socialist Prime Minister will not of itself do much to move Italy in this But it could just conceivably do something to shift the present political log

With an energy crisis and world wide inflationary stagnation in prospect Italy needs a government to take clear decisions on a wide range of issues - including, most immediately, controversial decithe deep dissatisfaction which sions on nuclear power stations. lies behind the Communist vote and-energy pricing. Sig. Craxi Prime Minister but the longer beyond them to the organised ment the more intractable the problems are likely to become.

The case for taxing gas

en important oversight in the more expensive. government's budget strategy. this year to 8 per cent had proto meet in the peak period this

Since further VAT increases have now, thankfully, been ruled out, while increases in direct tax would contradict the whole thrust of the govern-ment's policies. Sir Geoffrey will have to look around for alternative measures if he wants to reduce the borrowing requirement further in the next year or so. The most obvious and desirable way of raising extra revenue would be to channel into the exchequer the huge gas reserves. At the moment these accure solely to British gas and its domestic customers, who, unlike industrial gas user; are shielded against world

Two ways

The government may not be prepared to increase gas prices before next April, either because of fears about inflation or because of the promise of gas price stability that it rashly made at the time of the budget. But it should start investigating the possibilities urgently and announce a tax on gas as soon as possible, even if it is not to be implemented until next year.

There are broadly two ways of setting the tax rate. Either one can equate the prices of all heating fuels with the cost of the most expensive one, oil, which is set by the market. Last November, the price of gas would have had to be increased by 35 per cent, to make it as expensive as oil for domestic central heating. Alternatively, based on what industrial users supplies of gas on contract, in Industrial gas now costs around 25p per therm (and the price is paid by domestic customers, run, benefit the exchequer and after the recent price increase, the gas consumer alike.

TWO UNCONNECTED events which suggests that domestic last week focused attention on gas should be about 40 per cent The similarity of these rough

While Sir Geoffrey Howe and ready results may be little announced that he intended to more than coincidence, but it make no further changes in does suggest an order of magni-VAT during the lifetime of the tude for the appropriate tax government, the British Gas level and for the revenues that Corporation admitted that the would accrue. Current domestic Keeping someone restriction of its price increase gos consumption of 8hn therms a year is unlikely to be much cluced a huge upsurge in gas affected by a tax that would demand, which it may be unable leave gas significantly cheaper leave gas significantly cheaper than other fuels, since the com-parisons are based on prices price rises. So it would be about foreign investment from reasonable to assume that a tax the new president. Scores of that would raise domestic gas British companies are seeking prices by about 6p per therm compensation for the disruption would provide roughly £500m for the Exchequer. If the 5p per therm increase that has been announced for industrial customers were added, the total revenue gain would be about £900m.

cheaper to transport (in areas where gas mains have been laid) and, most importantly, does not have the alternative uses of oil. Similarly there may be some justification for preserving a differential between factories and homes because the inefficiency of other forms of heating is at its worst in domestic use, while the total supply of gas is, in the short run, constrained by the trans-

mission system.
But there is no case for the enormous' price differentials that now exist. The most recent increase in oil prices would be quite sufficient to make gas highly compelitive even colors. highly compelitive even after a tax of the order suggested. Once the tax had been set, it could be revised infrequently, so that market forces would be able to domestic gas prices could be guide the government in setting the new rate. British Gas would are prepared to pay for assured then still have ample scope to regulate demand with its pricing competition against other fuels, and promotion policies. On the assumption of reasonably efficient use. Britain's gas due to rise by 20 per cent in reserves should last well into mber). This compares the 21st century. A sensible roughly 18p per therm pricing policy will, in the long

COMPUTER LEASING INSURANCE

Lloyd's of London faces its biggest losses

the lamous insurance market, is facing the largest series of loss making claims in its 300 year history.

The claims have not been caused by a major collision of supertankers, an air disaster with a large death toll, or a with a mass of hurricane damage to property claims. They come from an altogether unexpected quarter: that of the complex business of insuring computer leasing deals.

So far underwriters have been warned that they need to reserve \$225m for future losses. But that situation has been complicated by the start in the last few weeks of a \$628m lawsuit by Federal Leasing of Virginia, the largest legal action ever brought against London underclaiming on its computer leasing

Together the reserve against future losses and the amount claimed in litigation represent, for purposes of comparison, well over a half of the overseas earnings of the Lloyd's insurance community. The reserve figure of \$225m for future losses already stands at more than twice the previous biggest loss at Lloyd's arising from claims caused by the havor of Hurricane Betsy in the 1960s.

The computer leasing affair is troubling much of the London insurance community. Some 55 underwriting syndicates at Lloyd's, each composed of hundreds of the working and non-working private members which provide the capital for the market, took an active part in the underwriting of the

Many of these syndicates are managed by subsidiaries of major Lloyd's insurance brokers in the London market, such as Hogg Robinson Group, C. T. Bowring, and Alexander Howden. A large number of insurthe producing of the computer leasing insurances for Lloyd's underwriters both in the U.S. and in Britain. Even a number of insurance companies, including some with famous names such as the Guardian Royal Exchange, participated in the underwriting of computer insur-

The story of Lloyd's involvement with computer leasing insurance dates back to 1973. Towards the end of that year a large insurance broker approached Adam Brothers Contingency, a small firm of may or may not be the next specialist Lloyd's brokers who describe themselves as suband fringe groups and well Italy waits for a new govern- contractors to the larger and more gene mediaries: Adam Brothers was asked by the larger broker if a contract could be designed for a client, a specialist leasing company called Surety Indus-

tries Inc. of the U.S.

The industry that Lloyd's was
to become associated with for the first time operates in the following way. Leasing com-panies borrow from banks to buy computers. They lease the computers to companies which pay a rental. The leasing com-pany repays its debt to the bank

LOYD'S OF LONDON, as the rental payments flow in panies were looking for in their operations was a way in which they could protect themselves against customers cancelling their leases early and leaving the lessor with equipment worth less than the amount still owed on it. Adam Brothers produced an answer to

Adam Brothers is experienced in arranging "contingency" insurance cover, a type of insurance which owes much of its development to the Lloyd's market and has gained the community its reputation for being able to insure all manner of unusual risks. The contingency policies which Adam Brothers has designed include those for the abandonment of functions like boxing matches the non-appearance of theatrical or sporting personalities, the cancellation of contracts due to non-delivery of equipment, and performance penalties due to malfunctioning machinery.

Like a lot of its work, Adam Brothers treated the computer leasing insurance account of Surety Industries as a "one-off At the time Adam Brothers did not realise that it had opened the floodgates for more inquiries. In the highly competitive leasing industry in the U.S. word spread about the Lloyd's computer policy. quiries streamed in for details of the cover to the extent that the market had to be closed for acceptances of business. new clients were accepted. By 1976, 130 leasing concerns were on a waiting list.

Of them, 20 were offered insurances, half being leasing subsidiaries of major banks. and the rest independent leasing companies. Most of the assureds were based in the U.S.

Subsidiaries of major banks

The Adam Brothers computer policy had many attractions. companies Leasing covered against the risk of canof their leases for reasons other than the insolency or default of their The terms of the customers. computer leases themselves varied but usually they could not be broken by the customer leasing the equipment from the leasing company until three or four years after the beginning of the contracts whose average life was seven years.

So about half-way into the life of the lease the customer could exercise the break clause in the leasing agreement, in which case the equipment would have to be sold by the leasing company or leased to someone else. If the circumstances of meaning the leasing company such as tapes and discs. he could claim on his insurance.

scheme. The policies seemed to

WITH THE COMPLIMENTS OF ADAM BROTHERS CONTINGENCY LIMITED 15 ST. HELEN'S PLACE LONDON ECJA GAB

6... this policy is to indemnify the Assured for their loss sustained in respect of their said obligation assumed under the terms of their Loan or other Agreements, as declared, up to but not exceeding the respective sums insured, as declared, in respect of each said Lease Agreement, solely and directly in consequence of the termination of or non-renewal of any declared Lease Agreement in whole or in part due to any cause beyond the control of the Assured 9

> -Extract from an Adams Brothers draft-of-a Lloyd's computer lease policy.

value of computer hardware, or its acceptability to a new leasing customer.

Lloyd's entry into the computer leasing business was unfortunately timed. The insured leasing contracts were mainly on IBM 370 series computers, a range which had been on the market for some years. It had first appeared in 1970. likelihood of the models being traded in ahead of the sevenyear period was therefore greater than if Lloyd's had offered the insurances at the beginning of the life of the

But what really stimulated the flood of inquiries to Lloyd's about this insurance was that the policy was proving a surefire way of attracting finance, by making the leasing company look a better risk.

insurance impressed the banks and other institutions which financed the leasing company operations. The policy appeared on the market at a time when many of the banks had taken a dim view of the trend of computer developments and bad decided to proceed with some caution in financing leasing con-

When the computer leasing policy appeared the banks were only too happy to regard it as an additional form of collateral. They extended credit to the leasing concerns far in excess of what their net worth and condition would financial have permitted. They appeared to be relying on the assurances of prompt payment from the underwriters in the event of early termination of

Insured values of the com-puter leasing business in the market came to about \$1bn. the cancellation were beyond Half of the amount was on the control of the assured — mainframes, half on peripherals e could claim on his insurance. The computer leasing There was a basic flow in the insurance business of Itel, a

San Francisco leasing company, take little account of the effect accounts for over half of the that advancing computer tech- mainframe insurance business

nology would have on the resale at Lloyd's. It has little: side: Federal Leasing's account at Lloyd's represents between 10 and 15 per cent of the

insured values, In 1977 IBM announced a new series of computers. This might have provoked a few cancellations of leases but it was, according to Lloyd's, a price reduction of 30 per cent-which led almost every lesses to give notice of likely can thanging equipment or renego pertise and integrity of the tisting his lease on better terms. leasing companies insured by August 1978 Lloyd's under rather than on a thorough grasp writers realised they had a of the market in which they serious problem. Itel executives were working.

by a working party of under- as writers to produce an estimate of the likely losses. They arrived at the amount of \$225m but the final figure could be . A long established ruling in

to fop up their Lloyd's deposits ance of financial guarantee because of the losses, which will business. That ruling was virtually all fall on the 1977 established after a fraud. Under underwriting account with a that rule a number of tests were, small number in 1978, should be applied to see whether Lloyd's has told underwriting an insurance is a violation of members that it is impossible to forecast the final result until all the leases have expired. Most expire in 1982 and 1983, but some are earlier and a small nomber run until 1985.

New class of business

Within the leasing community Lloyd's has been attacked for underwriting crazy, crazy business." In the Hoyd's market some brokers have said that it was "plain had mederwriting."

"Hindsight," says Mr. Peter Green deputy chairman of Blood's and one of the leadunderwriters on the business. Lloyd's argues that if innovation is to take place within its market then risk has to be Taken. Computer leasing was a brand new class of insurance business and it was impossible to be precise about the likely

. The underwriters took on the insurance in the London market after detailed information had been provided by Adam Brothers. But, they say, inevitably the underwriting was based on an appreciation of the

matter with underwriters. the computer leasing affair is Toplis and Harding, the loss the nature of the insurance adjusters, were commissioned business itself. It was its use effective financial guarantee which was the main reason for its popularity in the market.

nigher, or possibly lower. Some the Lloyd's market dating back manners of Lloyd's may have to the 1920s prevents the accept-

agreement Both underwriters and brokers involved in the placing of the business dismiss the idea that computer leasing insurance breached the financial guarantee rulings because the policy contained a condition that any loss recoverable by the assured was a result of a specified contingency, namely the termination of the lease.

But the question must be asked whether Lloyd's own internal checks on the class of business that was eventually to represent 21th of insured values

in the market were adequate.
The other disturbing feature
of the business is the possibility
that some of the leasing companies may not have run their business as prudently as the would have done without What is likely to follow from

the shair is a labyrinth of litigation as Lloyd's under-writers examine carefully idear contracts in an effort to se whether their clients have honoured all the clauses.

Financial rulings

What the market will perhaps earn from the incident is that a generalised approach to complex underwriting subjects, while possibly appropriate in a less competitive age, is no longer viable in the late 1970s. The traditions of the gentlemanly institution in Lime Street die hard, but perhaps as a consequence of a potential loss of this size a means of investigating new forms of underwriting more closely will be adopted by



The underwriting room at illoyd's

else's promise

The collapse of the Lule regime in Uganda has caused severe headaches a long way from before the latest round of OPEC | Africa, despite reassuring noises compensation for the disruption of their business during the Amin' years, and were in active: negotiation with Lule's ministers when the game of political musical chairs abruptly started again.

The total size of the claims is Objections

There may be sound objections to a gas tax high enough to eduate the prices of gas and heating oil. The use of gas in preference to oil for heating should be encouraged because it burns more efficiently, is cheaper to transport (in areas)

The total size of the claims is, unclear. Among them is a seven-year-old invoice from BAT Industries for "several millions" following the take-over of its cigarette factory. But almost certainly the largest bill is from Mitchell Cotts, the international trading, engineering and transportation concern, which wants £10m for damage and transportation concern, which wants £10m for damage and loss of business on its 6,000 acres of tea plantations.

Chairman Philip Dunkley's description of the scene is like something out of Heart of Darkness: "The bushes have almost returned to trees. The people there had difficulty holding on to labour. The transport began to fail. They couldn't get spares—gradually they stopped hauling the tea from the far end of the plantations. The factories ran down . . ,"
Dunkley maintained contact

and last month flew out and agreed a compensation deal. There was no doubt that Lule respected the rights of property owners and was coming up with a coherent policy of encouraging foreign investment," he says. A "letter of understanding" with the government gave his company 49 per cent of the shares 161. Attacking a vulnerable in its subsidiary, the Uganda flank, the president's critics (not in its subsidiary, the Uganda Company—expropriated by all pilots) point to his Amin—and the promise of no profligate use of Concorde as a dividend being declared until private taxi—it uses three times Mitchell Cotts had been com- as much fuel as a Boeing 747 pensated. "It was a first-class and carries a third of the



'If we don't get a phone bill soon we'll have to move."

new regime will honour it. Dunkley is still waiting to hear. Whatever policy emerges from the government of President Godfrey Binaisa, it is thought that the thousands of Asians robbed of their homes and livelihood by Amin are likely to get the worst deal-if they get one at all. Anything like adequate compensation for them is generally seen as politic-

Flying the flag

French Air Force officers are still grumbling over their pastis about . President . Giscard's decision to clip the wings of the Bastille Day dy-past. As a contribution to the government's oil saving campaign, the president decreed that a mere 97 planes and helicopters should fly over the capital last week-end-instead of the scheduled deal." says Dunkley. The passengers The president uses questions now is whether the the plane for almost all his

intercontinental journeys - a joined the CP when he left practice normally eschewed by Pompidou and General de Gaulle even in the days of cheap oil when a president on board might have helped sell a Concorde or two. Now that there are monifestly no takers, it would seem reasonable to ask what the white bird, the longest-flying white elephant in history, has to gain from its client in the

Struggling on

Jersey, Britain's favourite tax baven, might not sound like a holbed of revolution—not the Marxist kind, anyway. The National Union of Mineworkers' shindig is over and headlines about Arthur Scargill's enindustry are mere lining for now — professional people, budgeright cages. But, unlikely, lawyers, hangers-on. as it might sound, there is a 27-strong Communist Party of Jersey to keep the red flag flying until next conference

"Being a Communist here is a bit uphill," admits Mrs. Stella Cruel sea Perkins, a cheerful housewife, married to a prinworker, who is party secretary. "We get the occasional rude letter and we don't pay the postage on any that haven't got stamps on. But, broadly speaking, we are trying to attract the working class." Therein lies the rub-well over half Jersey's 74,000 souls are tax exiles or pensioners or

Persuading Jersey about the inevitability of revolution, says Mrs. Perkins, takes the form of "lectures on Marxism, that sort of thing," and selling the Morning Star, 67 of which can be disposed of on door-to-door rounds on a Saturday. The party also mans a citizen's advice office in St. Helier. Its chairman, more surprisingly, is a member of the island's Par-

both.

Although elected to the Jersey States as the candidate of the wife." 200-strong broad left Jersey Democratic Movement, Norman le Broq, a stonemason

school in 1939, has not watered down his views. "I see nothing quaint or out-

of the way or peculiar about being a Communist in Jersey." he says. "Twe been elected five times. There's nothing quaint about that." He topped the poll in last year's election, a fact he and others attribute to the partiy's citizen's rights work. There are real problems, such as housing, on the island, he insists. "I'm notorious for not enjoying the fact that it's a tax haven. If we're supposed to be rejoicing, then where are the tangible results?"

Surely even income tax at 20 per cent meant a reasonable revenue with so many million-aires? I ventured. "Oh yes," tanglement with the local hotel, a lot of local millionaires too, It looks like it will take a few more years to get dialectical materialism in Jersey up to the starting line.

Weightier members of the underwater community may not be feeling entirely at ease about the latest decisions of the International Whaling Commission, But friends of the whale anxious about those left to the merey of exploding harpoons will no doubt be amused to hear that the U.S. fisheries expert at last week's IWC meeting was confined to his hotel room for a large part of the proceedings; he went down with food poisoning after a seafood dinner on Tuesday night.

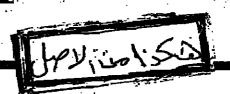
The catch

Sign in the foyer of a Niagara Falls honeymoon hotel: "Why not spend a second honeymoor here next year? Twenty per cent discount if with same

Ubserver

Humphrey





Arab Banking and Finance

It seems likely that, in the wake of this year's oil price rises, Arab financial institutions will play a more important part than before in directly disposing of the OPEC surplus. But it is difficult to make predictions about the spending pattern of the oil states as priorities alter and the inter-Arab financial system develops.

THE YEAR 1979 is likely to go OPEC surplus that were aroused down in the economic history of in 1973.74 proved unjustified the Arab world as a watershed, and the world banking system The five year period that began seems likely to be able to absorb with the 1973-74 oil price rise the surplus as smoothly as it effectively draw to a close in did the last time. This 1978 with the OPEC States time moreover, first plant all the plant. annual payments supplied down institutions seem likely to play to about \$11bm (compared with a rather more important part \$65bm in 1974) and the revolution in fran providing a grim part of the Arab OPEC surplus warning of the dangers of than they did before. explosive economic grawth.

Iran's revolution has been the main factor in propelling the the post-1973-74 surplus was oil price up by about gradually run down as the Arab 60 per cent on average by the states spending increased and middle of the year and giving subsequent increases up to the the OPEC States (almost exclu- 18-month freeze ending this year sively the Arab ones), a current provide full compensation for account payments surplus that loss of purchasing power, the

Because of the wide variety of prices now being charged for oil and the different dates on which they came into effect, the calculation of the 1979 surplus is a highly complex business. The consensus of preliminary estimates appears to be in the region of \$40bn.

Plenty of questions remain to be answered, however. Whereas in dollar terms seems likely OPEC countries may well be to be not far short of that of able to obtain even higher 1974.

Because of the wide variety of prices now being charged for time it is rather more number to make predictions about the Arab oil states spending even in the immediate future, and to what extent it will increase in response to the greater revenues available.

estimates appears to be in the region of \$40bn.

Similarities

Countries managed to increase their spending to match their spending to make their spending to make of the maximilarities with the 1973-78 Nigeria and significant their spending to make of the similarities with the 1973-78 Nigeria and significant their spending to make of the similarities with the 1973-78 Nigeria and significant their spending to make of the similarities with the 1973-78 Nigeria and significant should period. Both as a percentage of OPEC's revenues and in real into defficit, it was hardly terms, taking inflation into account, the 1973-8 surphis will would overspend; its official abe of a much smaller order than revenue of about \$460m by sthat of 1973-74 when revenues \$40m in the 1978-75 financial its uniped from \$280m to \$1006m, rear, nor that states such as the states are such as the states are revenues awaitable.

Economic commentators expressed surprise at the fast in the spending to increase their spending to make of the openior. The wake of the similarities with the 1973-74 when revenues of about \$400m by state of 1973-74 when revenues \$40m in the 1978-75 financial its uniped from \$280m to \$1006m. immped from \$280m to \$106bn year, nor that states such as The more lurid fears about the Abu Dhabi should glow down

development as they saw spend- an ideal. In a sense progress mean that while project aid to nouncing that it would have no ment to syndicate a \$500m loan ing growing at a dangerously towards it has been slow, with existing schemes will continue, more financial dealings with for China.

faster pace than revenue.

at least one country, Syria, balance of payments support Canada as a result of the Canada as a Often it was forgotten that which was previously considered should cease. The sums Egypt dian plan for moving its countries like Saudi Arabia and a promising outlet for invest-Libya had large and legitimate ment, now generally disdevelopment needs. The infia-regarded. Yet considering how the concept of the Palestine Liberation Organimplementing projects, as well investment from outside is in isation as a result of last invested in Canadian assets or

Arab institutions, the majority of Kuwait's and Abu Dhabi's surplus is invested by western financial institutions. The Abu Dhabi Investment Authority has more than two dozen portfolios operated by British, U.S., German, Swiss and French and Japanese concerns. Kuwait relies more on its own institutions, but many of its property holdings and a large portion of its equities are handled through western banks. Saudi Arabia's Monetary Agency relies almost entirely on non-Arab institu-

Yet for all the oft-reported

fast growth of these and other

tions to handle its investments. At the end of last year the four Arabian states' accumulated surplus totalled about \$110bn, of which Saudi Arabia held \$59bn, Kuwait \$36bn, Abu Dhahi and the UAE Currency Board \$12bn, and Qatar \$3bn.

Only two cities in the Arab world can claim to be financial centres on any scale—Kuwait and Bahrain. Neither Cairo nor Amman yet serves more than its local market, and Beirut is still awaiting stable Kuwait provides conditions. the most sophisticated range of services bond issues. The six-state Gulf in the Euromarket, though it International Bank has quickly was only last year that the first top quality borrowers came to Kuwait. The market has been affected by sharp interest rate fluctuations, though the secon-dary bond market is developing. relatively llow rate of innovation in Kuwait is mainly the result of a degree of complacency, stemming almost inevitably from enormous

wealth, and from restrictions preventing foreign institutions operating there.

By contrast Bahrain has had to compete harder for business and has made a success of its offshore banking centre, which is both part of the international money market, acting as a window mainly for the Arab private sector surplus, and is an important intermediary in the Saudi; and to a lesser extent, Kuwait banking scenes. Bahrain, not being a capital exporter, has been less successful in bond operations, and the Bahraini Dinar bond market seems dormant. The ups and downs of the relationship between Bahrain, Kuwait, Abu Dhabi and Saudi Arabia are described more fully in this Survey, but all these poles in the Arabian financial system seem well able

Manpower

The interdependence of the Arab financial centres is part of the wider economic interdependence of countries in the Arab world. This has been strengthened since the 1973-74 watershed less by trade than by the flows of aid and investment from the rich countries of the Arabian peninsula to the poorer Arab states, and by the flow in the reverse direction of skilled and unskilled manpower. The greater financial resources the oil states will acquire this year should enhance that interdependence, and provide further incentive for the notunattainable goal of a unified Arab capital market.

A watershed year

By James Buxton

as the wasteful extravagance several of the poorer Arab November's Baghdad summit, and high spending on arma. States, and the institutional An Arab institution which is ciated. The erosion of the oil states' purchasing power was faster than had been expected. the Arab OPEC states want to avoid any repetition of the economic explosion which followed the 1973-74 price rises, mainly because of the social disruption it caused. They will also be cautioned by the example of Iran from pressing on with too rapid a transformation of their countries by fast development.

Suadi Arabia, Kuwait, Abu Dhabi and Qatar will be the main contributors to the OPEC accumulated surplus, their pension fund, which is largely invested (for lack of alternatives) in the West. Investment within the Arab world remains

problems in amending laws and practices to make it possible, it is remarkable how much investment has been absorbedparticularly by Egypt, Jordan, Tunisia. Sudan, Morocco and North Yemen.

about \$5bn a year, the majority of its remaining inside the Arab world, the poorer Arab countries can expect continued eco- allowed five countries to nomic development, opening up exercise their right of more opportunities for invest-ment. Militating against the healthy development of these economies is the man-States' power drain of both brain and brawn to serve the richer Arabian States.

ing as a reprisal for President

adding a new dimension to Arab concessionary aid operations is the Arab Monetary Fund, based in Abu Dhabi. Designed to function broadly on the lines of the IMF in the Arab world, it is gradually building up its With Arab aid running at strength. Ultimately it will have capital of about \$1bn but so far not more than about \$250m has been paid up. The AMF has drawing down 75 per cent of their shareholding when they have payments deficits, and the AMF is soon to consider its first extended fund facility - for

It hopes to improve its scope In the case of Egypt, the sanc- for investing unlent funds by tions the Arab states are impos- putting them directly into Special Drawing Rights, Recently it made news by an-

Sudan.

Canadian dollar bonds. . The AMF can be regarded as one part of a growing inter-Arab financial system. banks and financial institutions now play a far bigger role in handling Arab funds than they did before 1973-74. Institutions like the National Bank of Abu Dhabi and the Abu Dhabi Investment Company have rapidly. become very important in the Euromarket as managers or comanagers of loans and Euroestablished its presence in the Euromarket, while naturally in Kuwait the three big investment companies—the three Ks—play major roles. The various consortium banks involving western partners — including UBAF, BAH, Frab Bank and European Arab Bank—are energetic. UBAF recently secured agree-

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venues explosion of 1974. The and that apart from money impact of the oil price rises on given as aid the Third World the industrial world's balance countries would receive almost is following the familiar pattern, and once again there are predictions of massive OPEC

pected to be about \$45on, comworld's banks and monetary authorities are not worried by

the prospect of the surplus. permanent feature and that the ing system will be able to handle producers' foreign assets would

picions in less well-informed completed their infrastructures, circles that the Arabs would and there will probably be a use their surpluses as some sort For 1979 OPEC's current ac- of political money weapon, or, count payments surplus is ex- at the very least, would be liable to cause appalling uppared with the 1974 figure of heavals by speculating against followed the last boom, but it \$65bn. What is different in the currencies and embarking on a still seems likely that the new "crisis" is that the megalomaniac buying spree of the industrial world's biggest to the \$10bn-\$20bn mark. corporations.

This time these alarmist senti-

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up to spend their new revenues.

The pattern of spending may of trade and growth prospects none of the recycled surpluses. be different now that the small Worst of all, there were sus- Gulf states have more or less new element of caution in the spending after the inflation and social disruption (highlighted by the Iranian revolution) that followed the last boom, but it surplus will be rapidly cut back

tial, especially when it is con-In 1974 it was feared that ments seem to be absent. There sidered that most of each year's the OPEC surplus would be a is also confidence that the bank-surplus will be in the hands of just four states: Saudi Arabia. the surplus on its own, although Kuwait, Qatar, and the United the Third World countries are Arab Emirates — or strictly grow inexorably year by year, the Third World countries are Arab Emirates — or strictly It was feared that the banking already much more heavily speaking Abu Dhabi, whose

again quickly gear themselves join these states in chronic surplus.)

At the end of last year the private money from the kingaccumulated official foreign assets of the Arabian surplus states' central banks and finance Ministries came to a grand total of about \$110m. This was divided as follows: Saudi Arabia \$59bn. Kuwait \$36bn, Abu Dhabi and the UAE Currency Board together \$12bn, Qatar \$3bn.

These figures in turn represented combinations of a variety of different items. The Saudi figure was simply the total of the Saudi Arabian Monetary Agency's foreign assets, published by the IMF, which in the Agency's own balance-sheet are listed opposite such liabilities as Government current accounts, eposits of local banks with SAMA, Government special and reserve accounts, and the accounts of various Government agencies and pension funds.

Commitments

The Kuwaiti figure of \$36bn held by the Central Bank and published by the IMF, \$3.5bn representing the average amount of cash that the Finance Ministry is known to hold at any one time to meet its budget one time to meet its budget commitments, and \$30bn representing the Finance Ministry's

This last figure has been calculated by adding estimated investment income and published budget allocations to the reserve to the figure of \$27.4bn announced by the Kuwaiti Finance Minister for the end of

The \$12bn total for Abu Dhabi and the UAE Currency Board was composed of: Currency Board assets \$1bn, cash held by the Abu Dhabi Finance Ministry evessed at \$2bn, and the reserve" handled by the Abu Dhabi Investment Authority (ADIA), which was understood from an official source to be

In Qatar at the same time the state's \$3bn foreign assets were derived from the same combination of Monetary Agency foreign assets of \$0.2bn. Finance Ministry cash, possibly \$0.5bn. and the Finance Ministry's reserve thought to be about

What are regarded as "sur-pluses" by Kuwait, Abu Dhabi and Oatar are just the "reserves" handled by the Finance Ministries and ADTA. These reserves. therefore, are made up of accumulated budget surpluses to be used as a national pension fund. They are quite different from annual current account the figures for OPEC's sur-pluses given at the beginning of this article, even though budinevitably related.

It is to the "reserves." as onposed to the cash holdings of the monetary authorities and finance ministries, that considerations of investment policy

With Saudi Arabia the posttion is a bit more complicated because of the country's prac-tice of having all official foreign assets held by SAMA. This means that all foreign assets are subject to the same broad set of investment policies no matter from what source they derive. Also, whereas in Kuwait, Abu

the Arabian authorities. On a slightly more radical scale and somewhat more in

bursements and the outflow of at all.

In the widest sense the investment policies of SAMA, ADIA and the Kuwait and Qatar Finance Ministries have not changed radically since before the 1974 oil revenues-explosion. In the last four or five years the authorities have become more involved in the markets and better geared to undertake more sophisticated operations.

On the other hand, as the SAMA Governor Abdel-Aziz Quraishi put it when emphasising that SAMA still had to operate more or less along conventional central bank lines: We do not engage in the sort of active portfolio management known among professional mar-ket participants."

the hands of Arab personnel who are coming to replace the highly respectable but somewhat conservative figures who used both to advise on investment policy and in some cases manage day-to-day operations. Kuwait and Abu Dhabi have also allocated more funds to be managed on the international markets by Arab

different currencies and longerterm holdings were made before 1974, and it is quite wrong to talk, as many people have done in the last few years, of the Arabian investment authorities "discovering new types of investment," or "becoming bolder," or "overcoming their

reluctance to invest long term."
These comments may be valid individual private investors, but as far as the state authorities are concerned the changes in investment patterns that appear to have given rise to such comments have been determined by the condition of the markets or by the authorities' own changing requirements.

The basic decisions to invest the core of the reserves long term were taken at the time each state realised that it was plus economy. So Kuwait began channelling part of its reserve into equity investment in 1952, when the government set up the Kuwait Investment Board to run a portfolio in London and opened a further portfolio with Citibank in New York.

Abu Dhabi began building up equity and bond portfolios in retreachment which followed two years of serious overspending. And Saudi Arabia began raising the maturity of its deposits and CDs in 1972, the year it came to the conclusion that it would have to embark on a programme of massive oil production increases which it was thought would be needed to meet soaring American demand

in the 1970s. these dates there has been a fairly steady diversification of the currencies held and the institutions receiving deposits or handling portfolios on behalf of

Dhabi and Qatar the "reserves," keeping with the tone of many being held apart, grow each of the comments on Arabian in-

diversification of currencies in exchange dealers to disguise its recent years, to a point where identity. and the funds to be switched to them funds. a different currency.

staff of the Arab Monetary Fund private transactions in which that the dollar had fallen by the borrower makes a special about 57 per cent against the issue for SAMA; the idea of

Seen against a time scale of issue managers.

25 years, the period to which Exceptions to this general the majority of investments in rule apply in the case of some what the Kuwains view as the superior long-term growth pros-pects and political security of

The funds that are moved around are the Finance Minis of specialist and geographically tries' cash holdings, because remote operation the portfolio these funds, held for just a managers are used for pureroded if the currency in which bonds. As with buying Yankee eroded if the currency in which bonds, these are operations they are being held declines which SAMA feels it would not temporarily. The Kuwait Fin. be able to carry out afficients ance Ministry admits that Changes of this sort, however, they are being held declines which SAMA feels it would not are relatively unspectacular. temporarily. The Kuwait fine be able to carry out efficiently Most of the big policy deparance Ministry admits that it itself — though recently there tures in diversification into has an active management have been occasions when policy (though not speculation) with its cash assets, which are held in London and are concentrated in negotiable instruments rather than deposits.

Even here though there are limits on the authorities' freedom of action, given the size of need for them to observe the code of conduct expected of official investment institutions. For instance in 1977 the Kuwait Finance Ministry approached the West German authorities to ask whether they would mind if the Kuwaitis were to move a substantial piece of their cash into DM securities. As it turned out the Germans said that they did mind, and so the Ministry was unable to make its move.

As far as the substance o the investment policies applied to the states' reserves are con-cerned, the broad outlines for Saudi Arabia and Kuwait, which between them account for about 90 per cent of officially held Arabian Peninsula foreign assets, can be described as

follows: Saudia Arabia: Included in the in SAMA's own balance sheets and in the IMF's International Financial Statistics are such non-commercial or mercial items as contributions to the IMF and the World Bank direct loans to other Arab or Third World countries or banks, and loans to the UN and

one or two OECD governments. However, from an investment policy point of view the three important categories of assets deposits, fixed-interest are securities issued by governments and portfolios of corporate bonds and equities.

Deposits exclusively with banks on the Approved List, which in 1972 contained just ten names but has been expanded since on at

Although there has been a some of its funds through

now the four Arabian surplus. . The reason for this was that states have assets of some sort it had been finding that banks rency, it is extremely rare for lower when they heard that it existing investments to be sold was SAMA that was and the funde to the sold was SAMA that

--- The fixed interest securities The fixed interest securities

This is notwithstanding the issued or guaranteed by governfact that between September, ments or government agencies
1977, and November, 1978, it or international organisations was calculated by one of the are now mostly bought in Swiss Franc, 47 per cent against the Agency applying this direct the yea, and 27 per cent against approach being that it avoids the Deutsche Mark. the payment of commission to

At the same time more of the Kuwait are now geared, even of the smaller governments, management of the reserves these falls in the dollar are not whose bonds SAMA buys recently has been placed in important when compared with through the lead managers, and certain specialised types of bonds, notably Yankee bonds (foreign government issues in

the U.S. as compared with New York), which are handled Europe.

by SAMA's portfolio managers. Apart from handing this sort SAMA has made a more direct approach to corporations, suggesting, through an intermediary, that they might like to place a special issue entirely with SAMA in the way that

It is thought that there are up to ten portfolios, most of them in America, with between \$100m and \$200m contained in or earmarked for each. The managers are given very specific guidelines, a fundamental feature of which is that at no time may SAMA's investment reach 5 per cent of the voting stock of any company. As yet SAMA has not ventured into the real estate market at all.

Kuwalt: Kuwait's reserve is now split into two portions. the General Reserve and the Reserve Fund for the Future Generations (RFFG) which is

THIS YEAR'S jump in OPEC system would be unable to manoil revenues is of much the same size in dollar terms as international recycling mechanstate reserves are kept in its year (even though the figures vestment, was the Saudi decident two occasions and is now to remain inviolable for own name and not in the name are seldom, or never, published sion in 1976 to open some porter though to contain about 60 quarter of a century. The first of the second of the federation. (Depending officially), SAMA's assets flucture from month to month t are seldom, or never, published sion in 1976 to open some ports, thought to contain about 60 quarter of a century. The first officially), SAMA's assets fluctured folios of equities, whereas be names. Nowadays it seems that block of funds includes a trust of from month to month the month the month to month the month to month the month to month the month t ments though not the most in 19745 it took to channelling attractive ones but also has such items as interest-free direct aid loans, the capital of Kuwaiti state corporations and loans to Kuwaiti public com-

emended these beauty July 16 1979

panies. It was because of the dilution of the income earning quality of the pension fund implied by such doubtful assets that in 1976 if was decided to establish the RFFG The new fund was started with \$3bn of the most attractive existing assets, plus the 1975-6 budget surplus of \$1.75bn. Since then the fund has been receive ing 10 per cent of total Kuwaiti oil revenues, oil and non-oil.

Assets

For commercial assets within the Arab world the Ministry channels its investment through the Kuwait Real Estate Investment Consortium, which it established with the local real estate companies to run a property portfelle, and the Kuwait Foreign Trading Contracting and Investment Company, which holds the State's investments in inter-Arab devel-

opment schemes. Outside the Arab world the pattern of Kuwaiti government investment is very similar to that applying in Abu Dhabi and Qatar. Bonds are bought almost entirely through the three Kuwaiti investment companies and property is managed partly by the Ministry direct, partly by the Kuwait Investment Office, the Ministry's offshoot in London, and partly in American portfolios managed by Chase Manhatten and Bank of

America. Equities and other investments are bought through 16 London, Citibank, Chase Manhattan and Morgan Guaranty in the U.S. Deutsche Bank, Dresdner Bank and Commerz bank in Germany; Swiss Bank Corporation and Union Bank in Switzerland; Credit Lyonnais in Paris: Algemene Bank Nederland and Amsterdam-Rotterdam Bank in Holland; Bank of Tokyo, Industrial Bank of Japan and Mitsubishi Bank in Japan; and Societe Generale de Banque and Credit Bank in Belgium.

Banking in

TEN YEARS ago it was unusual the United Arab Emerates and sively short term.

Oman. The few men who The oil wealth operated bank accounts. decade has seen

merchants, senior government employees and of course govern-ments themselves, dealt with foreign owned and foreign-managed banks Banking business was essentially personal and uncomplicated. Cashing a cheque could be an elaborate performance, how-

ver, involving presenting the cheque to a clerk, often Indian. at the bank counter in exchange for a number. The cheque wound its way across the floor of the bank, via the ledger, with various clerks marking it as it went. Eventually it would wind up on the desk of an expatriate bank officer, who would form-ally authorise its payment

It would then go to the cashier who would bawl out the customer's number and count out his cash. More august customers sipped coffee in the manager's office and chatted about husiness in general until their money was brought to The main activity of banks in

the 1960s in the Gulf was the finance of trade, generally a comparatively simple matter of letters of credit and payments against shipping documents. Banks would finance a merchant's stocks held in local warehouses awaiting sale.
The risks were not great, the profits accruing to those banks.

all expatriate, often with a lifetime's experience in the area speaking reasonable Arabic and reputations.

They were competent, hardworking, prudent bankers who were seldom called upon to

make a major credit decision. but whose knowledge of the local business community and its ways of conducting business was a very great asset to the

The strength of these bankers have been known to raise was this knowledge of the com- worrled eyebrows at longmunity in which they worked, established practices: munity in which they worked. established practices:
All business was personal, a But the experienced expatrimants credit rating being at Gulf banker, whose professional career will include some inknown, for to default country, will tend to say:
on a business commitment in a Ahmed bin So and So's credit is first class. His father and his mercantile community would result in something very like

for a man, and almost impos- and the putting up of collateral sible for a woman, to have a in the form of formally-pleaged bank account in the oil-product securities, to cover a sank doon ing nations of the Gulf-Kuwait, was seldom expected. In any Saudi Arabia, Bahrain, Qatar, case, lending was almost exclucase, lending was almost exclu-

The oil wealth of the last decade has seen an enormous upsurge in banking business, has brought to the Gulf a number of foreign banks without much local experience, above all has seen the establishment of a number of government and privately-owned national banks.

The banking habit has spread right through most communities. Women now have their own bank accounts, and some banks, generally those with long experience in the area, have opened branches which cater only for their female clients, branches branches possibly broadly supervised by a male banker, but run on a day-to-day basis by Temale staff

Figurding of construction projects and of private building. much of it wildly speculative has tended to replace trade as the major activity of some banks, especially banks new to the area and some of the locallyowned ones.

.The financing of trade is still important for a majority of the old established foreign banks, or at least those of them which are still foreign owned. (Kuwait has nationalised all its: foreign banks, though it employs foreign general managers in each of its six major banks. Saudi Arabia has all but completed the acquisition

majority shareholdings in operating in the Gulf were ade in it management and what has not changed, it seller staff of these banks were suite of the great management. What has not changed in spite of the great pressures put upon the system, is the essentially personal nature of banking in the oil states of Arabia Foreign bangers with little experience of the area, but with perhaps may years' experience of banking in New York, London, Frankfurt or Paris, and accustomed to precise documentation to loan applications? made out on lengthy forms, and to carefully established port-folios of securities to be used as banks who employed them collateral for loan applications,

> first class. His father and his uncle have both dealt with the bank for years as well.

CONTINUED ON NEXT PAGE

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ALL ACROSS the Moslem

Banks: International Associa- Islamic banking as "murabaha" tion (IBIA); based in Jeddah. Murabaha wofks on the following basis. If, for example, mad bin Feisal, son of the late. Algeria needs to buy fertiliser

Applications

The Secretary General of the IBIA, Dr. Ahmed el Naggar of Egypt, told the Financial Times that he has recently received applications to help establish 13 more new Islamic banks in different countries. Three applications have come from Pakistani banks that are sup-posed to "Islamicisa" their operations this year:

The seven members of the IRIA are discussing a plan to establish an Islamic Bank, in Luxembourg, to operate internationally and to act as the

among them to form an integrated international network

ALL ACROSS the Moslem The Islamic Development world, but especially in the Bank (IDB), since opening its does three years age, has combining and finance system is does three years age, has combining established to operate alongside the established combine mercial banking system. The light Conferences Also working on the Dayments of the Islamic Conferences. Also working or loans.

It has started offering a range of financial services that is without as broad and flexible as that of existing commercial banks, including bonds, certificates of deposit and current accounts. There are plans for a safety net linking the Indi yidnal Islamic banks to a central Islamic banks which would be financed by the 41 herently unprofitable deals such as infrastructure flowns and takes a share of the profit of the profic of

States of the Islamic Comerence

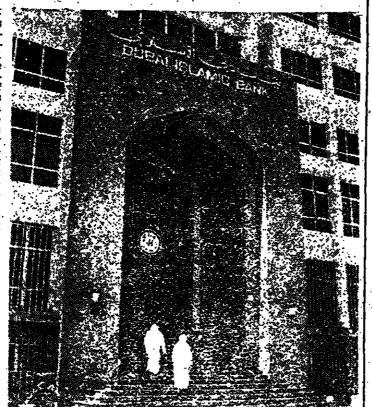
In the current year no fewer the projects it financies. In the than five new Islamic banks will have opened their doors—the same commercial system as in Jordan Kuwait Egypt Iran—the smaller Islamic banks that and Bahrain They loin three finance small-scale commercial others (in Egypt Sudan and deals for individual merchants. Dubai) in forming the Islamic This is known in the Jargon of Ranks International Associa—

Taddish Murabaha works on the follow-example, King Feisal of Saudi Arabia from Jordan but hoes not have whe founded King Feisal the cash to pay for it the IDB Islamic banks in Khartoum and will pay cash to Jordan and Cairo.

Algeria will necessor the fertiliser immediately. The IDB and Algeria will agree on a fee for the IDB for forwarding the cash, which is usually determined on a per unit basis, for example, one or ive dollars per ton. When Algeria generates profits from the agriculand therein shall they abide for tural projects for which the imported fertiliser has been used.

it repays the IDB. Under murabaha a bank de-

tegest-charging commercial operating provide a full range loans, is what the Islamic of narmal commercial banking bankers call "riba" and it is services. Credit provision and the commercial banking services.



strictly forbidden according to Teheran, do not aim to make a

This is usury to Moslems, and the Koran deals with the matter rather firmly, as stated in the following Koranic quotation: They who return to usury shall be given over to'the fire;

the "Mudaraba" profit sharing. Islamic banks banks that were opened in pends on the merchant making lend capital to an industrialist. Egypt on a local level in the a profit in order to be repaid, for example, with the agree early 1960s remained focused. If the merchant does not make ment that the bank will receive on neighbourhood and city-wide profit and goes out of business a certain fixed percentage of the operations, today's Islamic the Islamic Rank shares the profits of the project being banks are bigger and broader the Islamic Bank shares the profits of the project being banks are bigger and broader loss. In other winds Islamic financed by the loan. This in their scope. Some of them banking strikes a fairer balance means that the bank stands to are starting with capital of between the value of capital and make a large profit if the nearly \$50m or more. The

profit sparing basis, while transfers, togeign exchange, checking accounts and other non-credit services are provided on a commission or fee basis. This is allowed by Islamic dictates hecause the fee is paid for a service that involves a real exertion of effort—or work—on the part of the bank.

New services being provided by Islamic banks include "income bonds" and Islamic Certificates of Deposit which also work on the profit-sharing

Some Islamic banks, such as the new one being opened in

the Koran, the Islamic Holy profit, but only to cover their operating expenses. such as Bahraini banks, strive to pay their shareholders a dividend and their depositors an annual profit that will make them competitive for deposits with commercial banks,

Some of the banks promise to grow into substantial institusystem, otherwise known as tions. While the first Islamic lend capital to an industrialist. Egypt on a local level in the main correspondent bank in Between the value of cantial and States to the Islamic banks the scattered throughout the commercial banking Naturally share holders as well as by the Islamic banks for Islamic banks for Islamic banks for Islamic banks for Islamic banks themselves.

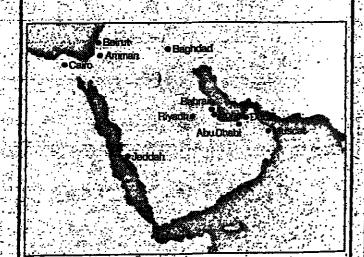
Another move that is being the total of the Bank's managing director, this is the belief of the Bank's managing director, this is the belief of the Bank's managing director, this is the belief of the Bank's managing director, this is the belief of the Bank's managing director, this is the vital social component of should not generate a profit capital and the entrepreneurs establishing a new company.

The bank act as a true central clai gain against a loan of the value of human endeavour. The banks now some cases. Some banks only nearly \$50m or more. The Nasser Social Bank of Egypt, one of the oldest Islamic banks.

accept deposits of six months or more, others insist on one year, while others still will take one-month deposits to encourage business during their first year of operation. Some banks also have a minimum deposit amount such as the KD1,000 minimum for Kuwsit's Islamic Bank. known as the Kuwait Finance House, which attracted 3,000 accounts in its first two weeks of business earlier this year. It reckons that depositors will receive the equivalent of a 6 per cent return on their deposits, which is also what the Jordan Islamic Bank expects. After a few years Jordanian Islamic bankers expect a 10 per cent return on investment.

Rami G. Khouri

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CONTINUED FROM PREVIOUS PAGE

banks. The large Kuwaiti banks, in spite of their capitalisation and shiny premises, remain in essence personal organisations of groups of Kuwaiti-business-

All save one of Bahrain's 18 banks in 1978 made a profit, even though the volume of business conducted by a majority of them was small. One reason for their profitability is certainly the fact that a smaller volume of business means that high degree of personal service can be assured.

In no Gulf country has the personal element in banking practices been allowed to-develop and flower more than in the United Arab Emirates. Outsiders and formally trained central bankers may scoff at the fact that there are 52 banks with more than 400 branches in the seven states which make up

the seven states which make up the UAE, and mutter about the world's most over-banked country." The stricture has much less force in local eyes. First, the UAE is not really one country, rather, it is seven separate business communities. Within each business community there are in most cases a number of sub-communities. a number of sub-communities of merchants. Each of these smaller groupings likes to have its own bank.

The fact that there may be considerable social capital, as well as some financial profit, to be made out of setting up one's own bank in company with a few fellow merchants in the strengthens the argument

This strong personal flavour rather than weakens it. In the in Gulf banking has been a small communities of the UAE, major contributing factor in the with their well-developed merestablishment of locally-owned cantile traditions and the strong personal flavour of business life. depositing one's capital in one's own bank makes a great deal of sense, no matter how strange

it may seem to foreign eyes.

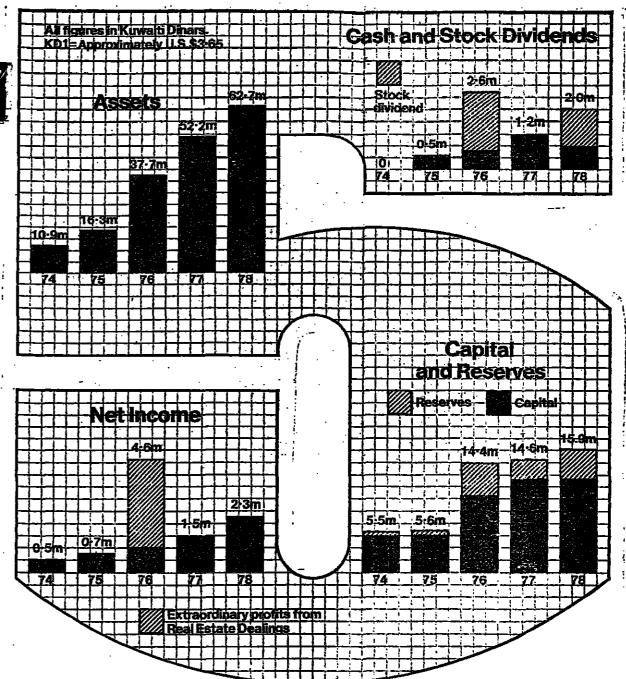
But the price the banks pay
for their personal ties with
their clients is often the collecting of dubious loan port folios secured upon empty, and in some cases incomplete, highrise apartment and office buildings. Both foreign-owned and local banks in some Gulf coun-tries have them. In the heady days of the construction boom, loan applications supported only by personal criteria could hardly ever be turned down. Significantly, few of the long-established foreign banks hold potentially bad property loans.

The personal element makes it more difficult, even impos-sible, for banks to foreclose on loans for speculative building which have gone bad, and for which their customers even have in some cases difficulty in meeting interest payments. It might be marginally better for a bank to show a loan secured against property on its balance skeet than to foreclose and take the almost valueless property on to its own books as well as setting off a chain reaction of bankruptcies.

Probably a more compelling reason why Gulf banks do not foreclose is that to do as yould

foreclose is that to do so would be completely at variance with the nature of banking in the Arabian peninsula.

John Townsend



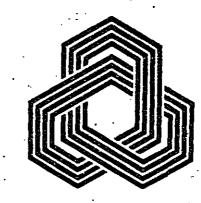
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Countries in which APICORP has participated in loans and/or Equity financing include Algeria, Bahrain, Egypt, Jordan, Libya, Morocco, Qatar, Tunisia and U.A.E. Projects financed or under study cover the sectors of oil refining, natural gas liquefaction, oil fields injection, petrochemicals, fertilizers, tankers, drilling, detergents, catalysts,

synthetic fibres and synthetic rubber.
During 1978, APICORP managed, co-managed and arranged project linked loans and bond issues totalling SR2957m (\$896m). Net profit for the year was SR63m (S19m). Net assets as at 31st December 1978 were SR1346m (\$408m). Project investments as at the same date totalled SR402m (\$122m).

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Flow of aid stays on a plateau

TRYING TO measure aid flows from the Arab oil States to other developing countries is countries define aid in different ways, some countries seem at accounting than plex and occasionally secretive way in which Arab States disburse aid does not make for

But relying on statistics collated by the OECD using con-sistent definitions of aid it seems that six years after the 1973/74 oil price rise the Arab States' aid disbursements up to the end of 1978 stayed on the lofty plateau of about 55hn a year which they reached in The three biggest aid donors, Saudi Arabia, Kuwait and Abu Dhabi, can claim very impressive rates of aid disbursement as a proportion of GNP compared with the industrial countries. (The statistics published in the accompanying table do not necessarily tally with those the aid giving states

publish individually). Aid given by the Arab oil States tends to be handled rather less formally than is the aid provided by the industrial countries. The mational aid funds of Saudi Arabia, Kuwait, Abu Dhabi and Iraq disburse a relatively small amount of these countries' aid programmes: the rest is handled

their Ministries Finance, usually on an ad hoc basis, following instructions from the Foreign Ministry, the Head of State or someone else in authority

Ministry of Finance makes are direct subventions unrelated to projects, paid to the Arab States confronting Israel. The size of these subrentions can very sharply from year to year, according to circumstance — which accounts, for example, for the sharp dip in Kuwait's annual aid figures in 1976, the result of a temporary cutback on aid to Syria during the Lebanon civil war.

Arab aid differs from Western countries' aid in several other ways. It is not tied to the purchase of goods or services from the donor country — mainly because apart from oil, which the developing countries are buying from OPEC anyway, the oil States rarely have anything Technical to offer. assistance paid for by the oil States is normally provided by consultants or aid personnel from another country or from UN organisation rather than giving country, since Arab aidring States rarely have the

technical skills available. Most projects in Arab States' aid programmes are co-financed vith other Arab funds or with feasibility studies of projectsthe Kuwait Fund for Arab

These factors mean that a economic policies before it will

NET DISBURSEMENTS OF AID BY ARAB STATES : 46.9 53.4 1.441.0 614.3 :93.6 117.0 195.0 185.2 1,029 1 1,997.4 2,407.0 204.9 1,602.0 510.6 1,046.1

higher proportion of Arab aid part with any programme aid. allocations is actually disbursed. The trouble with this outside the donor country than is the case with aid given by approach is that many countries industrial countries, much of get into payments difficulties as and to paying for technical per ald funding development has gra somel who are nationals of the Sudan heing a good example. It aid-giving country. But it seems develop industry themselves they too will be inclined to link aid to the purchase of their fadustrial products - though this has yet to happen in the case of, for example, Kuwait's existing fertiliser output.

It is possible to pick important trends in Arab aid-giving over the past few years. First, there is a strong preference among the donors for aid related to projects rather than straight balance of payments or budgetary support, or programme aid. Whereas in the first year or so after the oil price rise there was a tendency, parti-cularly by Abu Dhabi, for loans and grants to be made without rigorous control of what they were to be spent on, the trend is now strongly towards lend-ing only for clearly defined pro-

Many countries have difficulty in identifying worthwhile pro-jects and drawing up proposals for ald and so may be suffering as a result, but in some countries the Kuwait Fund is providing technical assistance in planning and project for-mulation. The Arab aid mulation. The Arab aid organisation which probably suffers most from this problem is the Arab Bank for Economic Development in Africa: (ABEDA), which only deals with black African countries those with the greatest difficulty in drawing up projects.

project aid is naid over as the usually only project is implemented, lump sum programme aid can easily be diverted to the wrong ends. Since GODE-the Organisation for the Develop-Western or UN organisations, ment of Egypt put together by as few Arab organisations are Saudi Arabia and three Gulf geared up to carry out full states-was directed mainly to payments support in 1977, in-stead of going to projects as Economic Development being a had been intended, Saudi significant exception. The Arab Arabia and other aid donors aid-giving organisations tend to have been especially chary of co-operate very closely with the programme aid. Now the King-exception of the Iraq Fund for dom likes to see a recipient External Development, which country obtaining the IMF's stays aloof.

117.6 2,373.0 2,963.2 Source: OECD.

> approach is that many countries a result of large-scale project could be argued that programme ald ought to be given more concomitant of

Ironically, though, the bulk of the oil States' disbursements consists of programme aid. This is partly because project aid is much slower to disburse, but It is quite understandable mainly because the largest part that Arab States should view aid Josely tied to projects, if at Jordan and the Palestine ing countries.

Liberation Organisation, but the But it does app financial burden on the oil States will probably be offset by the cutting of the confronta-States' subventions to treaty with Israel.

prices rising by more than 60 is based in Kuwait. Fr asking for special programme aid to help cushion the shock increase. After the of the increases a special \$200m Arab fund for Africa was set up and disbursed, while another OPEC aid organisation, the OPEC Special Fund, also provided programme aid for eedy countries. But the OPEC States are determined not to sell oil to developing countries some like Iraq are prepared to offer them good credit terms,

seen in Arab aid giving is the growing maturity of the aid organisations which were founded after the 1973-74 oil now overcome their teething troubles and are establishing themselves as experienced aid-Development Bank (IDB), based in Jeddah, is not strictly an Arab organisation since its 41 Moslem member states are spread from West Africa to the Far East, though its biggest shareholders are Arab. The IDB has now committed about \$450m and is putting into effect its ideas on trade financing and profit sharing based on Islamic principles. Its activities are fully described in the articles on Islamic banking in this

survey.
ABEDA, based in Khartoum, had committed \$282m by the end of 1978, about half its paid-up capital. Disbursements stood at about \$66m, reflecting the normal problem of slow project. implementation as well as slow identification which all aid funds find difficult to overcome

The OPEC Special Fund, whose biggest shareholders are Arab had committed \$927m by

some \$526m went in loans, both project and programme, and the

A third trend is that as aid donors gain experience, they ears, the relationship between

There is undoubted of Saudi aid. Significantly, in Abu Dhabi the Abu Dhabi Fund for Arab Economic Development has gradually taken over the originally concluded on a gov ernment to government basis by Sheikh Zayed, Ruler of Abu United Arab Emirates.

of these States aid consists of as an instrument of foreign subventions to the Arab conpolicy. They must after all-crontation States which are defend themselves against criticism in the developing all. The Baghdad summit of world at the disparity between November 1978 agreed on step- average income per head in the ping up payments to Syria, oil States and in other develop-

But it does appear that there behind the crisis that for a year lateral Arabs funds, the Arab Fund for Economic and Social It is very likely that with oil Development (AFESD). per cent on average this year end of 1977 unfil this summer developing countries will be the AFESD was not able to make new loans because its capital or allow it to borre commercially. The fund, which had been highly dynamic in lending and in making develop mitted KD 295.3m while its paid-up capital stood at KD 131.9nt.

> In order to continue lendi at this rate the fund either had borrow commercially sharefiolders refused either. The most influential, Saudi Arabia and Kuwait, felt that the AFESD was too involved in lending to individual their own national funds, and was not lending enough to inter-Arab projects, as was its brief-

> This was true. found it hard to identify and get going good inter-Arab projects. Some of the shareholders disliked Dr. Saeb Jaroudi, the Lebanese president of the fund.

More than a year's stalemate

was finally broken in April this year when Dr. Jaroudi decided to resign and the shareholders agreed to speed up paying in the AFESD's capital and fill the KD 29.4m gap between the subscribed and the authorised capital. This will mean that the fund will have KD 400m by 1982 instead of KD 370.6m by 1984. But as the fund will still not be able to borrow commercially it will have to lend at a much slower rate than before 1 Dr. Jaroudi

has been replaced by the former Syrian Finance Minister Dr. Mohammed Imadi James Buxton

No centre of gravity

the region which rightly merit record number of new issue ing activities, money brokers, instruments for investment and so on, and a central bank or authority to control the activities of these various institu-

ulfil the hopes engendered.

As far as the Euromarket is among which the KD can be concerned Kuwait is the most counted. Interest rates were fulfil the hopes engendered. concerned Kuwait is the most diversified, sophisticated and promising. This is true despite promising. This is true despite Knwaiti investment houses two drawbacks—the fact that argued that for the investor a short-term money market instru- KD bond was a good ments were only recently intro- proposition. duced and that the banking Though the manner in which scene is dominated by the the value of the KD is calculated virtual monopoly of the six is not known exactly, the commercial banks. There seems, currency little reason for the Kuwaitis to appreciate against the dollar but change this state of affairs. The shareholders of the banks have

earnings.
Where the Kuwaiti banks—

grown accustomed to high

SO MANY cities claim to be Kuwait International Invest-financial centres today, not least ment Company and Kuwait those in the Middle East, that Investment Company have the qualification must be proved successful is in deve-handled with care. Kuwait and loping the Kuwaiti dinar (KD) Bahrain are the two centres in bond market. Last year saw a the description, since they too but there have been hiccurs have evolved the necessary bank- recently because of the sharp rise in KD interest rates. Short-term interest rates reached 50 per cent last January before crashing down to 8 per cent—not the kind of Cairo and Amman have errace movement calculated to mstil confidence in the long-developed steadily on a local term prospects of this sector.

Liquidity pased no problem last year when the dollar was off to a flying start but did not weakening and investors were

> bas more evenly than has been the case with the Doutsche Mark (DM) or the Swiss franc. Thus

> both low and stable and the

profits and they would not wish the borrower was better served to see any fall in the value of than if he had raised DM or bank shares which remain high Swiss franc denominated bonds when set against the bank's However, large scale conversion of KDs into dollars after the Carter package last

but even more so the investment. November led to an sharp and companies such as Kuwait very erratic increase in KD Foreign Trading Contracting interest rates. Kuwaiti houses and Investment Company, were quick to point out that

CONTINUED ON NEXT PAGE

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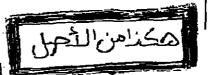
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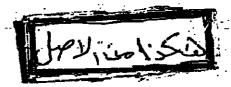
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Hurdles face regional investment

THE RENANA signification allowed Kenana a smooth ride. Sudan is now a reality. Due to Funds have almost invariably start production at the end of been paid up lafe, putting the year, it will help make Kenana in a poor bargaining

Kenana represents both the cisions were to be made. best and the worst about initial. Renama has been a valuable arab investment. The bulk of four chastening experience in the country and loan capital has been provided by Arab State Arab investment. The investment of the oil States financial funds and by a pan Arab in surplus within the Arab world vestment concern, the Arab is an ideal which they all believe in, in order to do away gion where projects are talked with these masteriated use most financial with the projects are talked with these masteriated use most of the projects are talked with these made us

ning pearly two years behind its original schedule and that it ning nearly two years behind ment has said.

its original schedule and that it Given, the strength of panis, at about \$500m, costing more. Arab feeling there theoretically than five fiftee. than five times the original can be no worthier or safer estimate, is only partly the place for the rich Arab States responsibility of the Arab investors. For them the scheme countries, and since the 1973-74 often has been a muisance, con- oil price rise a substantial stantly requiring more finance amount of the oil States surplus

Yet the investors mainly amount is dwarfed by Kuwaisi and Saudi have hardly proportion invested in

the year, it will help make Kenana in a poor bargaining Sudan a sugar experier to the position on contracts, restrictive such and the sumpany's executive site 160 miles south of the powers have made for Khartoum is deeply impressed cumbersome decision making; by the scale of the project and and the shareholders have not the relatively short time it has always all immedium for the taken to create so much from meetings where then presence nothing.

Kenana represents both the existence were to be made.

gion where projects are talked with these misaustactory about more office than they are relationships that have made us implemented it is one that is a mere source of finance for now being brought to fruition economies stronger than our in face of the considerable own as Mr. Abdul-Rahman aldifficulties of operating in Atiqt the Kuwaiti Finance Sudas.

The fact that Kensna is run proponent of intra-Arab investments and the suday of the search had a suday of

to invest than in other Arab and raising auguing doubts has been invested in other about its viability.

and contradictory; that investment projects are either deliberately or unintentionally held up by bureaucratic obstruction; and that schemes which have cleared these hurdles prove difficult to get under way because the physical infrastructure in the poorer countries is often so weak.

Revived

A lot of these problems reflect genuine difficulties in the poorer Arab States. The concept of investment and private enter-prise has had to be revived after years of socialism in countries like Egypt and Syria, which has meant reversing attitudes and overcoming entrenched positions — a process that can take years. There may often be some resentment in the poorer countries at the "nouveau riche" investors of the Gulf.

The investing countries do not always seem prepared for

tends to be involved in banking partner. and money management; far fewer people have experience of project management, and with good manpower generally in short supply there is little incentive to acquire it.

At the end of the decade during which intra-Arab Invest-ment has got under way on a large scale it is possible to draw up a kind of league table of investment outlets in the region. Apart from the Gulf States themselves, Tunisia, Jordan and Morocco, with their relatively efficient administrations, their unambivalent attitude to private enterprise and their convenient size and compactness come at the top, and are now absorbing a relatively large amount of

In the second division comes Sudan, where investment is officially welcome but where a surprising amount of investment is going ahead despite serious political in-stability; and Egypt, where investors were beginning to investors overcome the problems of the President Sadat's peace treaty with Israel.

has closed its office in Damascus. joint venture projects.

In view of the difficulties the KFTCIC also has joint venamount of investment that is ture projects in Morocco, actually going ahead is impres- Mauretania, Jordan, Oman, usually is not. Apart from the Ministry of Finance and private property holdings by other State and privately owned

West. the difficulties; frequently Egypt, Lebanon and to a lesser
There is a fair degree of disillusion both in the richer and
the poorer Arab States about
intra-Arab investment in practice. The rich States complain
about the poor States lack of
recentiveness to investment:

the difficulties; frequently Egypt, Lebanon and to a lesser
intra-Arab investment are
to high returns on
property, hotels, transport construction and agriculture. Alongstruction and agriculture. Alongtice are to high returns on
property and other business
to investment:

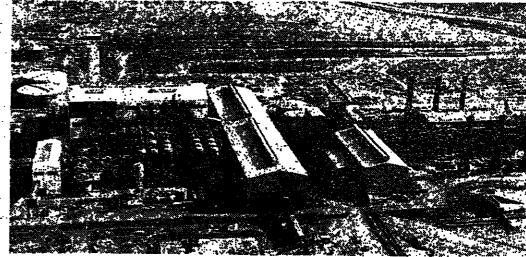
ment in other Arab countries
comporations are a purples of receptiveness to investment; ment in other Arab countries corporations are a number of they claim that legislation which may often yield only more discreet joint ventures designed to attract investment is in practice often complicated manpower in the oil rich States rich Gulf Arabs and a local

> As yet it is too early to say what effect the Baghdad sanc-tions will actually have on investment in Egypt which has probably absorbed most Arab investment in absolute terms. But the indications are that just as there is no question of cut-ting off aid for projects already in progress, so investment projects will continue and may well absorb more funds than before as they grow in size.

The most active State in investing in the rest of the Arab world is Kuwait. Relatively small Kuwaiti investors have financed property deals in the lower Gulf (alongside some larger institutions) and they often own property in Egypt, either for their own use or primarily as an investment. But most large-scale investment outside the Arabian Peninsula is hampered by low administra- in the hands of a few large tive efficiency and the weak Kuwaiti concerns whose owner-transport system: North Yemen. ship overlaps.

The most important is the Kuwait Foreign Trading Con-tracting and Investment Companp (KFTCIC) whose KD 25m capital is now 85 per cent Government-owned. KFTCIC bureaucracy before manages the portfolios of other clients, mainly the Government, in addition to handling its own Syria, once thought of as a funds. It holds and manages bright prospect for the Arab the Government's substantial investor, has virtually dropped stake in the Kenana Sugar Comout of the league table pany, where it has been an altogether. Investors have active and often critical sharebecome disillusioned with what holder. It is responsible for they regard as the failure of Kuwait's stake in the Sumed the Syrian bureaucracy to match pipeline in Egypt. In Sudan the promises that the Damascus it also has active subsidiaries Government has given. The in livestock, road transport and Kuwait Real Estate Investment construction, while it has an Consortium, which invests in investment company in Egypt property around the Arab world, which is involved in several

sive, even taking into account Syria and Iraq, within the the United Arab Emirates began the fact that intra Arab invest world. It has a stake in the the United Arab Emirates began ment tends to be publicised, Kuwait Real Estate Investment to have large financial surpluses when the West Consortium (KREIC) in which much later than Kuwait and



Aerial view of the Kenana sugar factory, the biggest project of its kind in the Middle East which opened in April this year

holdings. KREIC has schemes state that is as outward-looking under way, or is attempting to as Kuwait is Dubai (in the Arabia joined in 1977 and get them going, in Egypt, UAE) but it concentrated on boosted its capital. It now has Morocco, Tunisia, Saudi Arabia investing at home rather than and North Yemen. For a abroad. variety of reasons it has given up trying to operate in Syria, Sudan and Jordan. It occasionally faces problems because property investment in foreign countries can often arouse a special kind of jealousy.

Other companies with big investments in the Arab world include the Kuwait Hotels company which has stakes in Hiltons in several Arab cities including Khartoum, and Artoc, which has a number of operations in different countries. Gulf Fisheries has a small stake in Kenana and has a number of other interests in Sudan, as well as investments in property and Meridien hotels in different countries. There are Kuwaiti investments of one kind or another in all Arab countries identified except Algeria, though involvement in Iraq and Libya

their investment in the Arab the United Arab Emirates began problems that the Arab investeach has had, at least until re- Investment Guarantee Corporacently, ample investment opportion, set up in 1973 and based

Saudi Arabia have big private ment, loans, portfolio investinvolvement in Egypt, mainly ments and construction equip-in property, but there are also ment against the risks of cona number of other joint ventures in such fields as transport and road haulage, while there is a similar pattern of joint ventures in Sudan. Prince Mohammed bin Faisal of Saudi Arabia has an agricultural project at Damazin in Sudan which is

gradually building up in size. Apart from multi-state Arab organisations formed with specific purposes, like the Arab general purpose pan-Arab investment concern is the Arab suspended) it has a number of

ing countries tend to complain about most. It is the Inter-Arab rich Arabs in such countries as Kuwaiti institutions also have tunities at home. The only Gulf in Kuwait. It was initially slow

to get under way until Saudi of KD 21.5m can provide insur-Again, both the UAE and ance cover for direct investment against the risks of confiscation and nationalisation, transferability of funds and the possibility of war and revolu-tion. It is also moving into export guarantee insurance to help nascent Arab exporters.

With most of its operations in Egypt the IAIGC has not expelled Egypt from its membership. By the end of last year the IAIGC had issued KD 20m worth of guarantees, and expected to fulfil its quota of Petroleum Investment Corporaexpected to fulfil its quota of
tion (APIC) which invests in oil
KD 17m this year, being
and gas installations, the only allowed to go up to KD 107m allowed to go up to KD 107m (five times capital) over a fiveyear period. A major constraint Investment Company, based in on the IAIGC is its small capital on the IAIGC is its small capital and the fact that no guarantee states now (Egypt having been operation can exceed 20 per cent of its capital. This means projects in operation but a large that it can only go up to proportion of its funds has gone KD 4.3m in its coverage of any into the Kenana project as its one project (though it can only go...) costs have escalated. AIC is not insure part of a project). The a soft loan facility though it is IAIGC has been relatively slow Other oil states cannot really not as ruthlessly profitmatch the Kuwaitis for the orientated as a private scope and sophistication of corporation.

Indic has been relatively slow to catch on but is now trying to sell itself more vigorously. The main problem is that it cannot main problem is that it cannot One institution has been offer protection against bureauestablished to overcome the catic delay and obstruction, which often masks political opposition, and is one of the worst constraints on intra-Arab

James Buxton

No centre

CONTINUED FROM PREVIOUS PAGE

the western offshore banking remains the only real market borrowers. In addition, as the units (OBUs) in Bahrain had maker in KD bonds. As the been borrowing KDs cheap to number of holders et KD bonds buy dollars. Evidence suggests slowly grows, especially outside that the OBUs were in good the Gulf area, the number of company—none other than the market makers is bound to in-Kuwaiti houses and many private individuals were doing denominexactly the same thing. believed But the quality of the Kuwait borrowers tapping this sector. In B

volume will be bettered in 1979.

has improved the latest arrival remains on foreign exchange being a prime Japanese com- activities. The Bahrain-denomipany, Missibishi Heavy Indus nated bond market has been iries. The volume of bonds has dormant for the past 12 months, also risen though it is not yet there has not been a single clear whether last year's record issue. Bahrain is constrained

the Arab Company for Trading position to borrow KDs and Securities (ACTS) which lend them back to Knwaiti-

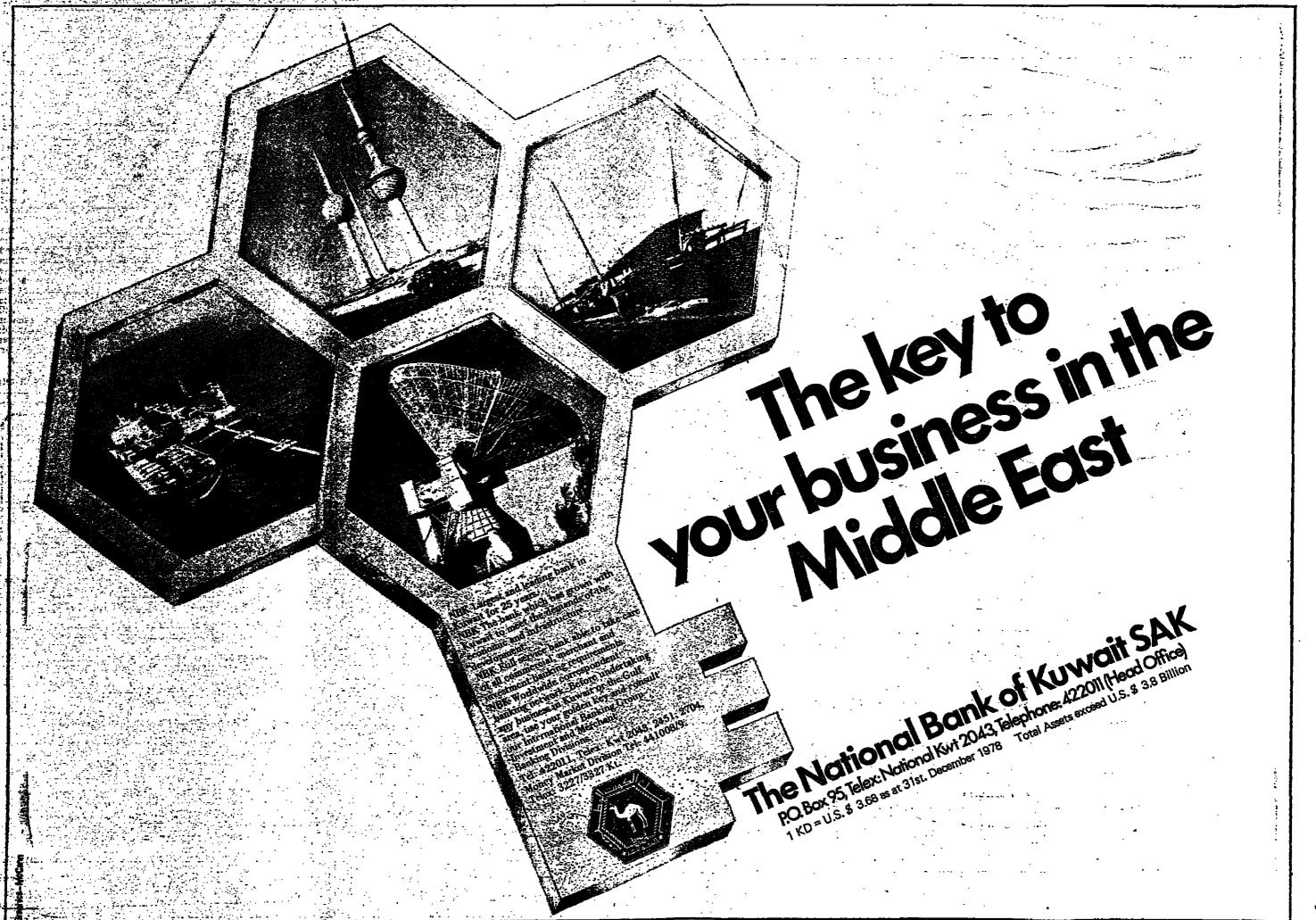
crease. Less than \$1bn of KD denominated bonds are believed to be held outside

In Bahrain the emphasis by the behaviour of neighbour-

number of new contracts for building in the area tend to shrink, the opportunities for financing diminish. The increase in oil revenue

this year is unlikely to improve prospects very much. While the heavily capital-absorbing countries will be able to increase spending rapidly, the lower capital-absorbing countries (Kuwait and Qatar in particular) now perceive little value in attempts to keep spending up at a high rate as their economic planners, encounter-The secondary market, mean ing Knwait, which has taken ing various development con-while, is developing but much steps to ensure that the OBUs straints, are uncertain about still rests, on the shoulders of are no longer in such a strong investment in new industries.

Francis Ghilès

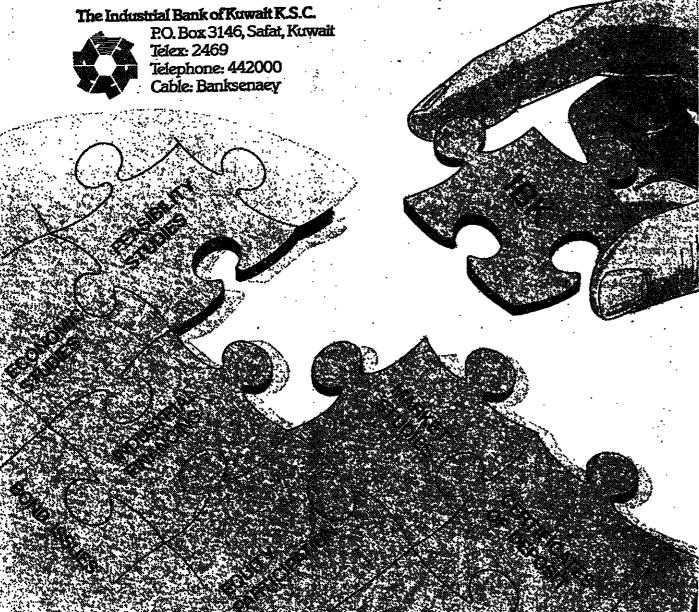


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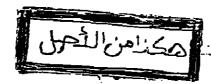
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Saudi Arabian Monetary Agency, Riyad Bank, National Commercial Bank, Morgan Guaranty Trust Company of New York, The Bank of Tokyo, Banque Nationale de Paris, Deutsche Bank, National Westminster Bank and Union Bank of Switzerland.



ARAB BANKING AND FINANCE VI

SAUDI ARABIA

Caution over riches

of raising output above the official ceiling of 8.5m barrels a day for its main fields, the reason given was that it needed finance for its development pro-

The explanation seemed designed to placate other mem-pers of the Organisation of Petroleum Exporting Countries. The prime motive, it was assumed, was to stabilise the new price structure set last year. The fact is, however, that the Kingdom is very cautious in appraising its riches in relation to long-term development.

It is difficult to make any predictions about the income or the surpluses of any OPEC member. For Saudi Arabia this is particularly so because it is not known whether it will produce at 9.5m b/d for any period of time beyond the third quar-ter of 1979, regardless of the chances of a further upward revision of prices next year. But at the basic price of \$18 per barrel for Arabian Light, the Saudi fields alone would give a revenue of rather more than \$50bn in 1979-80. In addition, there is the income from the Neutral Zone fields, sales of natural gas liquids and the added value of products refined at Ras Tanura.

Total oil revenue for 1979-80 should verge on \$60bn even if there is no further price increase and the Kingdom reverts after the third quarter to the 8.5m b/d limit imposed on the Arabian American Oil Company's output. As it happens, total Saudi expenditure for the fiscal year that began late in May has been set at SR160bn (\$47bn) to which must be added another SR29.7bn (\$8.75bn) in respect of autonomous public agencies.

In effect, appropriations more or less cover anticipated oil which was estimated the recent price ncreases. Last year it covered 86.9 per cent of the total with the balance coming from income from foreign assets, customs dues and taxes on foreign com-

In announcing the new Budget the Ministry of Finance and National Economy issued a statement revealing expenditure to have exceeded revenue in 1978-79 by SR14.25bn (\$4.27bn). The deficit, it was said, was made up from the State General Reserve although it is not clear whether this involved drawing upon any of the Kingdom's

Saudi Arabia in the fourth year of its 2nd 1975-80 Five Year Plan—that was originally scoffed at by many commentators as ambitious and grandlose—was in deficit. By then spending of about SR 460bn would have approached the targets of nearly SR 500bn set out in the development programme. Inflation was very much higher

about the future more justified than in commercial banking.

The State's six commercial banks, flush with liquidity and on paper numbered among the

world's richest banks, are en-tering a period in which profit-able lending opportunities, both

domestic and international, seem likely to be scarce. The world at large is unlikely to

sion, especially after the latest OPEC decisions and in any case

Kuwait as a financial centre is

Kuwait's bankers and finance

managers have long prided themselves on their prudence,

caution and conservatism. It is possible that these classic

banking virtues may have bred

a certain complacency, and that

the erstwhile mercantile flair of

Kuwaiti bankers is taking

second place to a belief in

bureaucratic controls. Yet the average Kuwaiti in-

vestor finds it difficult to believe

that all is not for the best in

the best of all Kuwaiti worlds. Conditioned to the pre-

sumption that Kuwaiti banks and financial institutions are

leaders in the Arab world, the

Saudi Arabia.

has been impressive. ...

able way. Since the 1979-80 budget was drawn up, the price. of the Kingdom's main variety. of crude oil-at the floor of the two-tier price structure agreed upon last month in Geneva-bas risen by 23 per cent.

At the best of times and in all respects the Saudi Government syndicated loans and Eurobond is profoundly cautious. The issues.

official line is still that in the However, SAMA has disponent the still that in the However, SAMA has disponent the still that in the However, SAMA has disponent the still that in the However, SAMA has disponent the still that in the However, SAMA has disponent the still that in the However, SAMA has disponent the still that in the However, SAMA has disponent the still that in the However, SAMA has disponent the still that in the However, SAMA has disponent the still that in the SAMA has disponent the still that in the However, SAMA has disponent the still that in the SAMA has disponent the same that surplus state and in the long term all excess revenue will be required for the Kingdom's

Nevertheless, despite the size of accumulated foreign assets that amounted to at least \$59bm Kingdom seemed almost alarmed to find itself in equilibrium

babitually cautious self. However, in the foreseeable and probably indefinite future given the prospects for supplies —it will not suffer any liquidity problems. Despite its ability to absorb and the enormity of its hydrocarbon-based industriali-sation plans, together with the associated infrastructure, the prospect once again is for a steady increase in the Kingdom's accumulated surplus. Its present nature and deployment is discussed in detail in the article on surpluses on

Kash

Page 2,

It would be rash to predict how long and to what extent Saudi Arabia will remain a surplus state of its present pro-portions. For the time being it remains a passive monster on the world's financial markets

riyal, though it is now one of the stial subsidies: currencies making up the IMF's: SDR basket. At the same time the pricing of contracts in riyals has created a market for the rival that has been a major preoccupation of Bahrain's off-shore

banking system.

As a capital market, Saudi
Arabia is still at a very
embryonic stage. SAMA took lishing the London-based Saudi International Bank which is now it. The 21 per cent shares held by the National Commercial Bank and the Riyad Bank give overall Saudi majority control

while the balance of the equity is owned by foreign partners.

The main objective was to gain experience in the inter-

of KD 3.025m in 1978, announc-

ing in its report for the year that it intends to raise its capi-tal from KD 9m to KD 12m, Other leading financial institu-tions are also increasing their

In addition to higher profits

on his bank shares, the Kuwaiti investor is also gratified to see that the Kuwait Stock Exchange

values these shares at a higher

world's giants, on a par with the

market value of the biggest U.S. banks.

If a cynical foreigner points

to the narrowness of the Kuwaiti

stock market and the fact that

only Ruwaiti citizens may buy

and sell shares, with the impli-

cation that the market is fragile,

he is reminded that the Govern-

ment of Kuwait came to the

rescue of speculators when the

1977 boom burst and doubtless

will do so again when necessary

-a further element in the arti-

The Kuwaiti investor also

points with pride and a certain

ficiality of the Kuwaiti stock

figure than ever before. Stock market valuations in Kuwait put the National Bank of Kuwait, the Commercial Bank

KUWAIT

A danger of

complacency

THOUGHTFUL KUWAITIS considering the future of their KD 7.5m, up by over KD 2m State—the world's richest per from the KD 5.06m of 1977. The head of population — express Commercial Bank of Kuwait

concern at the ever-growing made a profit of KD 4.92m in money mountain in their midst. 1978 against KD 4.18m in 1977. In no sector is this concern The Al Ahli Bank made a profit

facing competition from Bah-rain's offshore banking sector of Kuwait, the Gulf Bank and and potential competition from the Al Ahli Bank among the

capital.

WHEN TWO weeks ago Saudi into the plan's projections but no way a vehicle for the Arabia announced its intention nevertheless the performance exploiting of surplus Saudi as been impressive. assets, public or private.

Over the past two years Saudi Faced with the demand for

revenues and expenditure have rivals and the challenge of come into balance in a remark. Bahrain, SAMA allowed the Rivad Bank to set up an OBU joint venture with Credit Lyon-nais and has authorised the National Commercial Bank to start operating there. For its part, the latter has begun to figure among the Arab institu-fions leading and co-managing

long-term the Kingdom is not a couraged foreign rival issuespreferring to limit them to Arab governments or state-sponsored institutions while insisting that Saudi banks should be involved in co-managementship and contribute at least 50 per cent of

the funds at the end of 1978 policy has. SAMA has also facilitated been to cover expenditure from the borrowing of riyals within current revenue. After four the Kingdom itself—but enly years of substantial but falling on the assurance that the surpluses in the wake of the credit is used solely in the 1973-74 price explosion the country. Increasingly, Saudi Kingdom seemed almost banks have been engaged in alarmed to find itself in the medication of performance SAMA has also facilitated the syndication of performance Saudi Arabia remains its guarantees for international companies undertaking con-

tracts in Saudi Arabia. The commercial banks have also begun in a small way to extend medium-term leans for projects within the country

this respect SAMA <u>In</u> recognised a gap in the market by giving the go-ahead for the establishment in 1976 of the Saudi Investment Banking Corporation, which is 65 percent nationally and 35 per cent foreign-owned. Set up as a merchant bank it is now operating successfully but has so far failed—as was the intention— of acting as a catalyst for the creation of other financial institutions.

As far as finance for internal development in the private sector is concerned, the Saudi scene has in the past few years by 33 per cent to SR 27.94bn. been very much dominated by Foreign assets were up 40 per the Saudi Industrial Develop-Policy is opposed to the interaconcessionary repayment terms nationalisation of the Saudis together amounting to substan-

operations five years ago SIDE would have committed more than SR10bn for industrial projects and SR15bn for electricity generation, the bulk of which has been disbursed. From its

foundation in 1974 to the end Development Fund charged a mere 2 per cent on easy repay ment terms, worth no less than SR 33.8bn.

The "Saudi-Isation" of the banks operating in the Kingdom —a goal long pursued by SAMA
—has now all but been achieved with only details of the agree with only details of the agreement with Citicorp waiting to be shallsed. Over the past few years the British Bank of the Middle East, the Banque de l'Indochine, the General Bank of the Netherlands the National Bank of Pakistan, the Banque du Liban et d'Outre Mer and, finally this summer, the Arab Bank have all conceded 50 per cent local inajurity ownership and accepted Saudi boards of directors, while continuing to run operations under manage-

Apart from stronger capital base the result should be a more rapid exten-sion of the banking system outside the main urban centres to the rural areas.

country that had For a almost no banking system 25 years ago the expansion has been remarkable and orderly tight supervision b SAMA. The business of the commercial banks remains predominantly retail with trade accounting for rather more than a third of credit advanced and construction more than a

Last year claims on the private sector rose by 42 per cent to SR 144bn, 2 rapid marginal rise of the previous year when a squeeze was applied Demand deposits grew by 33 per cent to SR 27.94bn cent at the end of last year to despite the size of its official ment Fund and the Real Estate SR 13.58bn—rather more than reserves which are handled by a Development Fund, both offer double foreign liabilities. In host of intermediaries under ing credit with only a 2 per commercial banking terms, too.

SAMA's direction.

Richard Johns



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self-satisfaction to the big in-Kuwaiti investor sees the 1978 profit of the National Bank of crease in business on the inter-

market.

ARAB BANKING AND FINANCE VII

BAHRAIN

Intense activity

OF ALL the Arab stafes the oil States little of which Bahrain has probably shown the pechnically comes to the Gult most imagination and drive in but it handles the surplus of developing as a financial centre the private sector in the oil since the 1973/74 of price rise. States, especially that, of the The amount of financial activity eastern province of Saudi centred on this little island is Arabia—last year in the tune out of all monocripe to its feren.

centred on this little island is cout of all proportion to its financial activity arabia—last year to the tune out of all proportion to its financial of about \$12bm tial resources (It is the region's smallest oil producer) and the size of its economy.

The initial aim of the offshore banking units (OBUs) which started operating in late 1975, and ate at the core of Bahrain's regulation in Saudi Arabia and knwait the cash international innancial operations, was to attract the cash local currency deposits—and surpluses in Arabia suggested that there was room for an offshore innancial centre about half-way between Singapore and London, and Bahrain was an obvious place for it because its communications are so good and RIVAITES communications are so good and Rivalries the island's educational base is relatively high

withous corporation or personal dollar and parity because of taxes or exchange control. They the limitations of the regional were only forbidden to handle currencies. personal or corporate accounts personal or corporate accounts and other forms of financing for local concerns and individuals of except with the BMA's permission.

The sumply of these currencies is dictated largely by the spending of the governments of the major of states—

There are now 50 OBUs in and the UAE—so a great deal operation in Bahrain and they depends on the rate at which handled assets totalling about they convert the dollars they \$22.75bn at the end of May, receive for their oil into local 1979. Bahrain is not really an currencies, since the private outlet for the official surplus of sector of these countries needs

relatively high:

This is the aspect of the The package which the OBUs operations that produces the most excitement and the (BMA) set before bankers was most difficulty, partly because of so simple that it covered only the underlying political one side of a sheet of paper; rivalries of the region, partly banks could set up a full branch because of the novement of the without comparation, and partly because of

currencies into dollars to pay caused is slow in spending its currencies did not match the revenues, as it has been inter-demand for dollars and shortmittently over the past year, term interest rates shot up as this can cause shortages of KDs became short.

The Central Bank of Kuwait

A riyal shortage occurred last November when the rise in the dollar after the Carter stabilisation measures coincided with the chaos engendered by the move by the Saudi Arabian Monetary Agency (SAMA) move from Jeddah to Riyadh. The OBUs face intermittent problems with the Saudi rival and as the currency represents by far the most important part of the QBU's regional currency operations and about 20 per cent of total business, the fear lurks in Bahrain that SAMA could at any time completely alter the rules of the game under which Bahrain's OBUs operate

operate. But the two indigenous Saudi banks—the National Commercial and the Riyad—are now both represented in Bahrain the former opened in May and has become very active in the market—and this gives Saudi Arabia an additional reason for wanting to see the OBUs prosper. Whether the Saudiation of all the banks in the Kingdom, which involves a big increase in their capital, will enable them to match more of the facilities the OBUs provide spending in the Gulf should

remains to be seen.
The OBUs also ran into complications with Kuwait last winter. The November, 1978, dollar package combined with the nervousness of the region

currencies into dollars to pay caused extra demand for imports. If Saudi Arabia dollars. The supply of local

The Central Bank of Kuwait chose to interpret this as evidence of the unhealthy activities of the OBUs and redefined liquid assets for the Kuwaiti banks to include deposits of up to one month and decreeing that these were to be kept in Kuwait. This was rather a blow to the OBUs, while some bankers in Kuwait have privately regretted the move as reducing Though further flexibility. bankers have suggested that Kuwait has been trying to put them out of business the more thoughtful recall that KDs in Bahrain last year only accounted for about 4 per cent

of total assets. Crucial to the success of the OBU operation is great care in the choice of banks which are licensed, especially as there no reserve requirements and rules are few. The BMA insists on granting licenses only to top quality internationally known banks, and it keeps informed of their goings on through monthly reports and word of mouth, which is not difficult in Bahrain.

pick up again. The indications are that the setbacks to Saudi riyal and KD business at the turn of the year have been absorbed and the OBUs' assets which stood at \$23bn at the end of 1978 have pulled up from the \$22.25bn level to which they later dropped.

The coming of the OBUs has brought to Bahrain some of the other features of a financial centre—such as money broking operations and, less spectacuarly, development of Bahrain bond issues.

Service industries are beginning to rank alongside oil, gas and manufacturing as pillars of the Bahraini economy, which is now finding the first faint signs of an upturn after recession. If, as now seems likely, the causeway across the shallow waters to Saudi Arabia goes ahead sometime next year there will be a further boost to the economy though the Government does not want to see an explosion such as that of

All this is moderately good ews for Bahrain's 19 recovering from the recession. Mr. Abdullah Said Director that led to the 1975-76 real estate scramble, still evident in the fact that 40 per cent of all lending is committed to the construction sector. Some borrowers find the interest payments hard to keep up and dud

cheques are still quite common. The first quarter 1979 return from the 19 banks (excluding the al-Ahli Commercial bank which only opened in December creditors up by three per cent and money supply up by nearly

Kuwait continued from previous page

Whereas there were enly six new. Finance House, a new bank remarkable stability, with the issues valued at little more than owned 49 per cent by the finance of trade occupying a \$70m in 1977, there were Government through the Minis-constant 30 per cent of the total. eighteen new issues totalling tries of Finance, Justice and Possibly as a result of the KD154m (\$557m) in 1978. Awarf. This bank is to operate appearance in Kuwait of small This increase in business saw strictly on Islamic principles financial consultancies, the

the breakthrough into the top with part of whatever profits financial management policies ahead so quality league that the Kuwait they might make on transactions into a indicative of basic attimates have been looking for. financed by the bank, and tudes, and hence potentially economy in May this year Kuwait depositors will receive a share more disturbing from the point ment do acquired another triple. A of the profits of the bank on its of view of the State's future as an international financial some was made at 71 per cent. Kuwait's financial scene has for the Banque Nationale de some worrying features when Paris. This growth took place,

of course, at a time when the dollar was weak. As evidence that Kuwaiti financial institutions have lost shares on the Kuwaiti stock none of their innovative flair, enthusiasts in Kuwait point to two new developments this year -the issue of credit cards by the Gulf Bank and the Commercial Bank and the institution of Central Bank bills to drain off excess liquidity. A Gulf credit card is certainly an innovation likely to prove valuable but the issue of Central Bank bills is an admission by the Kuwaitifinancial authorities that they have more money than they know how to handle

Tempted

Neither the Central Bank nor the Government needs the extra money deposited with them by
the commercial banks who purchase bills from the Central
Bank. The bills are merely a
means of finding a short-term
hune for liquid funds which home for liquid funds which Estate Bank or the Credit and Kuwaitt bankers might be Savings Bank, the commercial tempted to lend through, for banks are left with the finance example, the Bahrain offshore

Another innovation on the Kuwaiti banking scene is the has almost trebled since 1974,

profits are up; and the market value of the commercial banks' exchange has never been higher, the rate of increase in banking business is falling. Bank lend-ing increased by 35 per cent over the previous year in 1975, in 1976 the increase was a stupendous 83 per cent. In 1977, the increase was only 27 per cent and last year was under 20 per cent

The reasons for this decline in bank lending which is reflected in the ever-increasing liquidity of the Kuwait banks, include the collapse of the development boom in the Gulf, the recession in world economicactivity and the increasing lack of domestic investment opportunities in Kuwait. With investment in industry in the State mostly handled by the Industrial Bank of Kuwait and the finance of property development through either the Kuwait Real of trade and construction, plus

inter-bank business. Although the volume of credit

national KD bond market establishment of the Kawait the breakdown of lending shows also an increase in the quality. Interest will be seither paid nor share of credit to the financial of borrower, with the KD10m charged. Borrowers will be sector is on the increase. City of Oslo borrowing being expected to reimpurse the bank. There is no aspect of Kuwaiti the breakthrough into the top with part of whatever profits financial management policies.

> have grown up among Kuwaiti with a 15 per cent increase in bankers that they have a near liquidity—compared with 13 per monopoly of financial acumen in the Gulf. The Bahrain off—will need to be careful not to initially regarded in Kuwait as an amateurish experiment, bound to fail. Then Bahrain's OBUs started making meney and worse, making money at the

expense of, and taking business from, the Kuwait banks.
In the days before they became rich the instinctive re-

must be assumed, of the Government of Kuwait) to the Babrain offshore market. market. Kuwait is probably a victim of General of the BMA, says he its own success in previous anticipates a 10 per cent inyears. An attitude appears to crease in bank lending this year shore banking development was repeat the lax lending control

action of the Kuwaiti merchants would probably have been to the Bahrain offshore market themselves, and possibly even to dominate it. Certainly they have the resources to do so. Instead, the reaction of the the same amount. Trade showed Central Bank of Kuwait was an upturn with contra accounts bureaucratic this year it revised its own rules to make it inflation). The 1978 figures more difficult for Kuwaiti banks show that the two locally incorto-lend more in Palacia. to lend money in Bahrain. A porated retail banks, National move aimed at harting the Bank of Bahrain and Kuwalt, Bahrain OBUs has probably held 55 per cent of the assets harmed the Kuwait banks them and made 44 per cent of the

selves rather more. ~ John Townsend

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A lot of business

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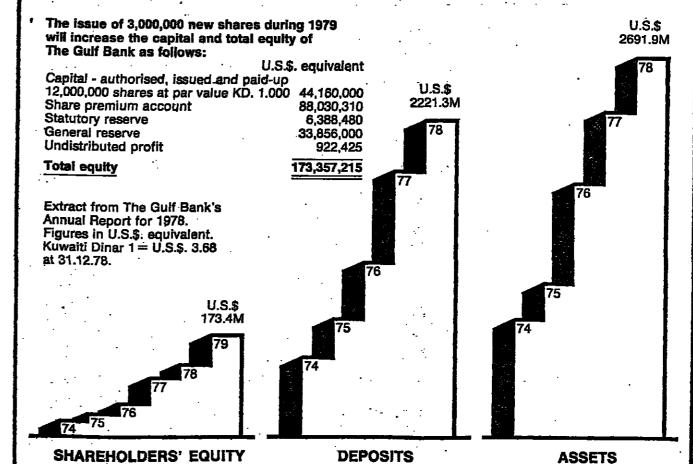
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UNITED ARAB EMIRATES



the member States, and with the liabilities of the on hopes, which so far have difficulties barring probusil Electricity Company to proved illusory, of oil diswards greater unificabe settled reached their highest coveries. political difficulties barring progress towards greater unificable settled reaction, and a lack of any coherent level in 1980.

The disparities in the UAE are all too obvious. Responsible for 80 per cent of UAE oil production, Abu Dhabi, while still carrying the greater part of the federal budget and disbursing large amounts of aid, should add significantly to accumulated assets now understood to be in the region of \$9bn. Dubai's outstanding liabilities will soon amount to about \$2.7bn.

Sharjah's debts, estimated at \$1bn, are enormous in relation to its small and declining petroleum income. More worrying is the position of Ras al Khaimah, has run up debts of which has run up deeds of \$500,000 but has no petroleum resources. Umm al Qiwain, Ajman and Fujairah remain humbly dependent on Federal finance.

This year Abu Dhabi's revenue will almost certainly be in excess of \$10bn or 38-39bn UAE dirhams. At this point it is difficult to make any precise projections about the size of its surplus, which in 1978 is believed to have been rather more than \$1bn.

before.

less willing to help until the Ruler of the Emirate, Sheikh Sagr, shows a less ambivalent

attitude to the union. Much of

Its performance in disbursing development allocations has improved. Expenditure on that score may exceed the Dh. 0.7bn projected. Because of a paralysing consitutional crisis —that may or may not have been solved by the formation by Sheikh Rashid of Dubai of a new Government two weeks ago—no federal budget has

been drawn up. Whatever Abu Dhabi's outlay on this score it seems likely to generate a surplus of no less than \$4bn after aid disbursements of some \$1.25bn.

Strategy

The Abu Dhabi Investment Authority (ADIA) has now a well-developed and sophisticated strategy for management of its quarter is owed to foreign and accumulated assets which, like Kuwait's, are designed to provide an alternative source of income in the future. It is basically a conservative and secretive years or so in arrears. Sheikh institution that is sensitive about its image. Its only out by periodic hand-outs from dramatic and much publicised Shelkh Zayed, President of the acquisition was the Commercial UAE and Ruler of Abu Dhabi, Union building in London five on whom he can apparently rely years ago. However, holdings in seven U.S. airlines purchased on behalf of ADIA by Morgan At the turn of the year Abu Guaranty were revealed late last

year, with \$100m paid in three Of the assets controlled by tranches to help with the State's the ADIA, \$1.2bn was lent at a commercial rate last year to than Sharjah's at about \$500m, Abu Dhabi Gas Industries, is regarded as more serious, which is developing the scheme for gathering and processing the on-shore gas. Also included Ruler of the Emirate, Sheikh among them are some \$500m worth of foreign placements made by the UAE Currency Board in 1976-77—none of which was ever publicised reckoned to have been extended to borrowers of less than bluechip quality. But there has been no default in respect of them.

The ADIA is interested in property but has had difficulty in finding suitable investment opportunities, especially in the U.S. where the decline of the dollar has made purchases relatively cheaper. Property accounts, however, for only a Property small part of the total assets, as do precious metals. Three-quarters of the total are accounted for by bonds equities. Last year Abu Dhabi is understood to have been successful in reducing the proportion of its dollar holdings from 70 to 40 per cent or less. No fewer than two dozen portfolios are now managed on behalf of the ADIA by institu-tions abroad in the U.S., Britain, France, West Germany, Switzerland and Japan.

By a happy combination of circumstances Dubai was able to raise its oil output last year by 13 per cent to a level of 362,000 b/d which is expected to be the peak. It should be able to maintain this level next year whereafter it is expected to decline — but not below 300,000 b/d until 1937. This year's price increases should mean petroleum revenue of over \$1.8bn compared with an estimated \$1.3bn in 1978. This is reassuring to the Emirates'

Dubai at present has outstanding loans of rather more than \$20n, most of it for big industrial projects including the drydock and the aluminium smelter, the viability of which has been a matter of some debate. Added to these lia-bilities will be the \$670m Eurodollar package now in the process of being assembled by Citi corp International, Lloyds Bank International and the National Westminster Bank. It will be made up of a \$230m credit ear-marked for the Dubai Aluminium Company (DUBAL) and another of \$120m for the Dubai Gas Company. The balance is a general purposes

The fund raising, which was reported to be proceeding well, should be seen as a big vote of confidence in Dubai and its

AS EVER the United Arab Ruler, Sheikh Rashid. He seems the finance extended to Ras al. of 1977, when its heavy-hands Emirates presents a confusing well able to cover his debt. Khaimah by banks has been on action—following a heavy it will be represented scene reflecting commitments which the assumption that Abu Dhabi on the dirham—caused an action of the grant will be commitments which the assumption that Abu Dhabi on the dirham—caused an action—following a heavy it. the great disparity of wealth this year will be \$500m \$600m would hale him out and also

Sheikh Rashid has significant Khaimah's total indebtedness is purces of income other than economic policy—not the least because of the continued absence of a central bank.

Sheikh Rashid has significant Khaimah's total indebtedness is sources of income other than accounted for by development absence of a central bank.

Petroleum, most of which are loans amounting to the petroleum, most of which are loans amounting to the not identifiable because they Dh. 1.1bn, or the equivalent of \$286,000, made by the UAE Currency Board for projects derive from his own business interests — no distinction is made between the Ruler and now considered to have been the Emirate as far as his "inadequately appraised." The the Emirate as far as his "inadequate revenues are concerned. It money coul remains to be seen how his written off. money could be regarded as The stagnation that followed the 1974-76 boom is reflected in resources will be affected by

his agreement to transfer half of his oil receipts to the Eederathe still somewhat parlous situation of the banking system that still cannot be said to have In 1978 Sharjah's oil revenue recovered from the 1977 crisis. There still remain 52 commerfrom the Mubarek field off the island of Abu Musa would have cial banks operating in the UAE with 350 branches—one been about \$35m. Under the agreement reached in 1971 for every 25,000 inhabitants. following the Iranian seizure of Total deposits non-governmental at the end of 1978 were marginthe island Iran takes 50 per cent of the proceeds, Sharjah 35 per cent and Umm al Qiwain 15 per ally down o nthe level three cent. There seems little hope years earlier at Dh. 15.62bn. now of the new regime in According to the UAE Currency now of the new regime in Tehran surrending its share. Output has declined this year to a level of no more than 16.5m b/d, a fall of 25 per cent that will have largely offset the price Board, 10 institutions account for two-thirds of total business. Some 25 banks have no more than 5 per cent of deposits: Starkly indicative of the rise. But the latter, according

system's lack of health is the to the operators, should extend the life of the field beyond the fact that the commercial banks' foreign assets declined by nearly 25 per cent from Dh. 19.23bn at the end of 1976 year 1985 which they thought was the economic optimum to Dh. 14.30bn at the end of 1978, while foreign liabilities Sharjah's income is supplemented by money from other sources, notably the port, but is very small in relation to its rose over the same period threefold from almost Dh. 12.29bn and Government total debt of about \$1bn Of Moreover. deposits declined. at the end of last September no this, \$200m is accounted for by a syndicated loan raised by BAII which is guaranteed by Abu Dhabi. There have been two other such credits of \$56m less than Dh. 7.63bn or precisely one-third of total credit advanced was to the construc-tion industry. Many observers and \$36m for which Anthony believe the proportion to be much higher. In Abu Dhabi the Gibbs and Citicorp, respectively, were responsible. Another sector accounted for no less \$100m may be accounted for by developing loans made by the UAE Currency Board in 1976-77 that could safely be than half and in the other Emirates a quarter.

To solve this problem Sheikh December Zayed last . regarded as having been written announced that a national Real Estate Bank would be estab-A fairly reassuring proporlished. The plan was that the tion of the total is said to have been lent against projects new institution would take over outstanding advances in respect that may pay off. About a of real estate development and allow the debts to be repaid local banks operating in the Emirate. It is mainly local over a period of 10-15 years at rates of interest of 2-4 per cent. contractors who have suffered, This would release credit for with some payments still two other purposes—though at present no obvious outlets exist Sultan Sharjah is being helped or allow the banks to run down their foreign liabilities.

By mid-summer there was no sign of the bank appearing. Sheikh Zayed has had other more urgent political priorities, tant to save the imprudent in the other States until general agreement has been reached Dhabi assisted Ras al Khaimah about the future shape of the

Paralysis on this front has also been responsible for the failure to tackle another rootproblem—the upgrading the UAE Currency Board to a fully fledged central bank. The crisis

two banks (both now back business) to close and pothers in dire straits. At the cost of a painful squeeze credit controls, reserve requi ments and capital-assets ratio 1:15 subsequently imprise brought an element of stabili

and also helped to cin

Compared with a rate of per cent in 1976 the expansion of money supply has been ker to about 10 per cent over t past two years. In 1978 II increase in bank credit was per cent compared with 50 cent in 1977 and 86 per ce According to offici figures, inflation was reduced 15 per cent-down from 25 ar 35 per cent in the two previo years. A measure of contract has been introduced but a

Miracle

inflation.

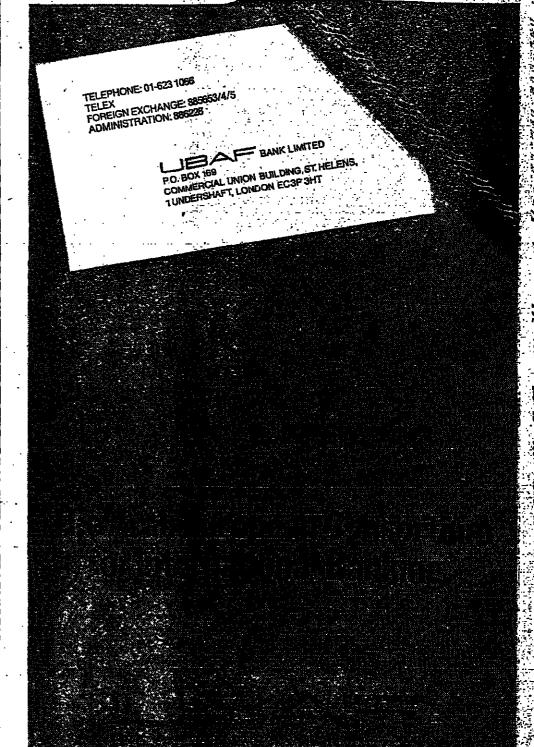
Almost miraculously the value of the dirham has been he steady. Linked to the SDK wi a margin of 2.25 per cent it last revalued to a rate of 🔛 last year. But the Curre Board still does not have the essential power of a moneta authority to control the infle of foreign currency and thus I able to keep the value of t dirham steady. Dubal ar Sharjah have refused to chann their oil revenue through it.

That was true also for mo of last year of Abu Dhat which only at the end of the year gave a much needed tran fusion to gold and foreig exchange reserves which hi fallen from \$824.4m at the beginning of 1978 to \$701.2m the end of the year.

As it is, the Curency Boar has been able to fulfil its mi mum obligation of covering 31 per cent of the note issue at demand deposits. But as complained in a recent report its holdings "must not only L seen in terms of the legal conrequirement but also the let of imports and also off foreign exchange requireme of the system arising fr remittances, fravel, exp and the like."

Powers over foreign exchan would be given by the la drafted by the Internation Monetary Fund which has bee gathering dust awaiting it approval of the UAE Suprem Council Another of its pe mum paid-up capital of abor-85m that might help for: mergers, stop multiple directors ships and the consequent malpractices, and help ture the system. Establishmet of a central bank is a hig. priority. But it would still nee political status and backing if is to function properly.

Richard John





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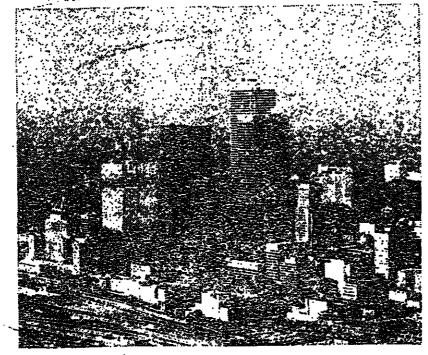
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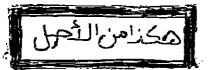
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ARAB BANKING AND FINANCE IX

ALGERIA

Shift in emphasis

THE INCOME Algeria derives the past six months is the agreefrom oil and gas will increase ment reached between Sonaby about \$40n this year, a figure trach and El Pase to raise the
which could prove conservative price of the liquefied astural
if the tushool in the inter gas (LAVG) which the U.S. comnational will reached between Sonais expected to have overtaken oil
is expected to have overtaken oil
rise in output is vital. Not only national oil markets leads to pany imports from Algeria in further increases in the price of the framework of a contract strade during the second half of known as El Paso 1. From July

The next economic develop-ment plan is currently being reparted, having been delayed by of the death of President if Bounediente and the election of this successor Benjedid Chadili Further delays are expected as imported to the U.S. to \$1.75 per BTU by 1988 and review in signs of when the similar FLN party congress, which must approve the plan, will meet. Signs point to a scantinuing arruggle for power among various groups within the leadership. This suggests the leadership. This suggests the congress could be delayed until nuch later this year. much later this year.

food, distribution, transport, agriculture and fishing are all

it showed to Western bankers

this year. This increase in 1 the price of gas delivered to sincome (last year's earnings EF Paso has risen fourfold to sanounted to \$5.4ha) comes at \$1.25 per million British the most opportune time for thermal units (BTU). EI Paso's Algeria's leaders and planners, customers have agreed to the increase but the agreement of the next economic development plan is currently being retrafted, having been delayed by after death of President trach have also agreed to introduce the paso and Sonattach have also agreed to introduce the paso and Sonattach have also agreed to introduce the paso and Sonattach have also agreed to interest the paso and Sonattach have also agreed to interest the paso and Sonattach have also agreed to interest the paso and Sonattach have also agreed to interest the paso and Sonattach have also agreed to interest the paso and Sonattach have also agreed to interest the paso and Sonattach have also agreed to interest the paso and Sonattach have also agreed to interest the paso and Sonattach have also agreed to interest the paso and Sonattach have also agreed to interest the paso and Sonattach have also agreed to interest the paso and Sonattach have also agreed to interest the paso and Sonattach have also agreed to interest the paso and Sonattach have also agreed to interest the paso and sonattach have also agreed to interest the paso and sonattach have also agreed to interest the paso and sonattach have also agreed to interest the paso and sonattach have also agreed to interest the paso and sonattach have also agreed to interest the paso and sonattach have also agreed to interest the paso and sonattach have also agreed to the paso and the pa

trach have also agreed to in-erease the price of the gas imported to the U.S. to \$1.75 per BTU by 1988 and review the price every three years

and should expand further in the This need not necessarily current year. The LNG 1 gas corry the planners - Indeed a liquefaction plant, the first to be shift in emphasis away from the completed in Arzaw, the major heavy industrial sector is gas base in western Algeria, is already visible. Housing, water, producing at an estimated 60 per cent of capacity. That figure should be close to 100 per cent being allocated a greater share by the end of the year. Based of the country's resources: on current production levels and In many major fields of activity the new plan will not new price agreed between Sonatrach much: Where oil and gas trach and El Paso the plant will are concerned the State comean Algeria \$600m a year. That pany, Sonatrach, is working on a figure will be close to \$1bn once full production is achieved.

as the country's main hard currency earner.

The gamble Algeria made of developing its gas resources back in the 1960s was a bold one: it looks, and everyday more so, as if it will pay off handsomely.

Other sectors of the economy face difficult problems, however; heavy industry's productivity levels are often dismally low. A major effort has to be made to increase production levels, improve the quality of management and increase co-ordination between the various sectors and Ministries. Building further plants could spell disaster in the

Another problem, in certain sectors, is that of corruption. While less widespread than in many other countries in the area, it is of no minor importance, especially in the food import sector and in building. If further plants are ordered abroad, this problem will be less easy to control as management skills will be spread even thinner than they are today.

Of all the sectors requiring

attention, two are paramountagriculture and housing. The first is now in the hands of a very competent trio, two of them are officers and the third the late President's adviser on agriculture. Recent figures of production are not available

will it keep people on the land; it will ensure that Algeria is not at the mercy of a very steep increase in the price of imported foodstuffs. Housing is another sector where the authorities must make up for a lot of lost time unless they wish to be faced with a social explosion in a few years' time.

\$3.2bn altogether and the trend loans and bonds worth \$1bn arranged by early June and a still paying more than some of seem to be the reasons behind these relatively hard rates, at least according to Western bank sources.

next plan concentrates on improving the existing plants rather than building new ones, Algerian bankers will have an

Many of the problems which face Algerian planners today change in leadership has been impressive but success will only be considered complete when it is quite clear where ultimate political authority rests in Algiers. The dust has not yet settled and it is a little early to say how the Algeria of Benjedid Chadli will differ from

To help finance these massive increased its borrowing threefold in 1978 and emerged as the largest borrower among the OPEC countries. It raised

has continued this year, with \$500m loan expected. Algeria is its neighbours when it raises money. Apart from the fact that its overall level of borrow ing is much larger, the tough-ness shown by bankers and the time it takes them to negotiate

they have not their stance, the Algerians have tried, and to some extent, succeeded, in putting some order into their borrowing and the way they approach the market.

Co-ordinating from Algiers is no easy task. Perhaps if the

Francis Ghilès



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Measured progress

has always done everything in a more measured and hesitant way, allowing its neighbours to way, allowing its neighbours to take the plunge so that the results can be assessed and 50 per cent absorbed by Qatar. When a property boom began over two years ago, the Government moved quickly to avoid the experience of Shariah in the major slice UAE, and forbade the panks to lend for purposes of land speculation. To a large extent it of OR 2.7hm.

or MFRC's total on production.
Output is currently funning at
258,000 b/d onshere and offshore production levels are
expected to average at 275,000
b/d, a considerable increase
ever last year, which averaged
out at 246,000 b/d. Increasing
production and rising prices
means that Catara out reseme means that Qatar's oil revenue for the year could work out in excess of OR 12bn compared for the year could work out in nated over the level of the excess of QR 12bn compared previous year and indeed with QR 9.8bn in 1978. On showed a drop for the first paper at least the Qataris are time in Qatar's history. The

THE BANKING community in one of the richest people on Qatar in many ways reflects the earth, with an annual per capital atmosphere of the capital itself income of more than \$56,000.

That of an overgrown Arabian (Yet despite this apparent coastal village. Its members are wealth, banking in Daha is a The capital development few only 12 hanks, and 20 very restrained affair. Bank budget for the year has also branches handling deposits credit in the 12 months preced gone up 15 per cent, though as worth Qatari Riyals 3.20n. That ing March 1979 rose/only 16 always the industrial development is less than one bank for every per cent to QR 2.7bm compared ment programme is absorbing 10,000 inhabitants, a modest with previous growth rates in the lion's share. Nevertheless, ratio compared with some other the 1975.77 period of nearly 60 there is still a lot of infrastructural results of the capital development of the capital development in the learned part of the capital development of the programme is absorbing in the lion's share. Nevertheless, ratio compared with some other the 1975.77 period of nearly 60 there is still a lot of infrastructure turd work to be done in Qatar, particularly in the electrical and water distribution field, though some local contractors are short relatively modest jump from some local contractors are short the time when local currency of work and many are awating deposits were going up by over the major contracts, on the two

Trading still absorbs the major slice of bank credit in Qatar, accounting in March this year for QR 120B out of a total lation. To a large extent it of QR 2.7bn. The figures issued worked, for in a State as small by the Monetary Agency show as Qatar, with a population of that housing only absorbed some only 200,000, economic mea. QR 525m, though undoubtedly sures can easily he made effectively of the outstanding promuch of the outstanding pro-occasional grumbles by other perty loans and advances to local bankers that they are left The economy is also a great confractors who are awaiting deal smaller for Qatar is payment from the Government responsible for only 1.5 per cent are hidden in other categories, of OPEC's total oil production. Encouragingly, however, indus-Encurragingly, however, indus-try jumped from QR 129m to QR 223m, though as yet the favoured occupation for the

Qatari is still trading. Many are hoping that with the added bonus of the oil price increases this year, the Govern-ment will reflate the economy a little. Imports for 1978 stag-

50 per cent a year three years major projects under way in the ago.

Hotel and the new QR lbn

Until such time as contracts are let, the banks are taking a cautious line. Most of the Government oil income earmarked for expenditure is channelled through the Qatar National Bank, which accounts for 45 per cent of all deposits, leading to Nevertheless, demand for

credit is still heavy and a number of banks are known to be maintaining unhealthy ratios of advances to deposits. Officials of the Monetary Agency say that the instances are few and are now being tackled on an in-dividual basis. The competition between the banks for deposits is placing certain stresses on the interbank agreement which has been in effect for nearly eight years. The changes in world interest rates have also meant that the local banks are

working on tight margins.

The interbank agreement stipulates that interest on credit shall range from 7 to 9.5 per cent annually and on deposits to 6.5 per cent. up to 6.5 per cent. But a number of banks anxious to been effering rates as high as 3 per cent. The whole of the interbank agreement has now therebank agreement has now been made the subject of a report by the local bankers' association which has made a mimber of suggestions as regards interest and commission charges. The report, which took several months to pass through the Monetary Agency, has been lying in the Ministry of Finance for nearly a year, and as yet has not been answered.

has not been answered.

The Monetary Agency itself is only slowly adopting the apparel of a central bank. A team of inspectors is being trained to assume more supervision over the local banks in the future, and the total staff complement is expected to grow from its current total of 25.

In recent months if has also become much more involved in advising the Government and enacted two revaluations of the Qatar rival this year. The revaluations totalled 25 per cent, and disturbed the parity system which existed with the United Arab Emirates and Bahrain. However, Monetary Agency offi-However, Monetary Agency offi-cials felt that while the cur-rency union between the three States which had been so much talked of during the past five years was desirable, it was impractical for now. The economies were too unequal

Kathleen Bishtawi



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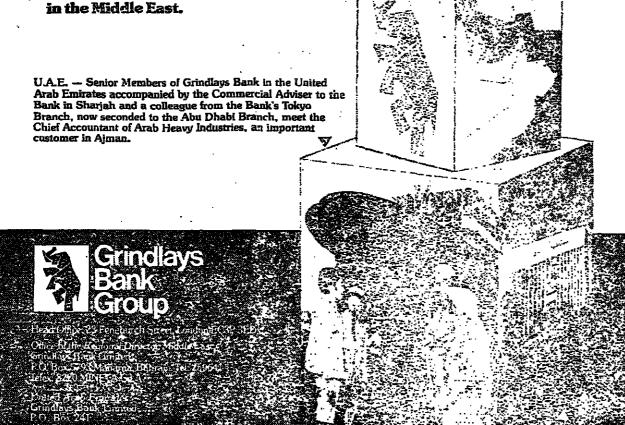
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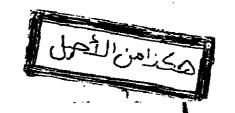
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EGYPT

Boycott a worry

to be quietly flourishing. It depends to some extent of course on to whom one is talk-ing. There are worried faces among the bankers with connections in Saudi Arabia and the Gulf. But those dependent on tapping the local market for savings or on Western funds have made few adjustments to their expansion plans. Indeed, some are unobtrusively slipping into a higher gear now that they are finding their feet.

Introducing modern banking techniques into an economy effectively cut off from the outside world for 20 years has not been easy. Credit ratings for potential customers have to be established, while the initial high risk factor limits potential investment projects. In the wake of the launching of the open door policy in 1974 the foreign banks naturally contented themselves with financing trade as a way to finance the costly business of establishing a presence. Many came—some 70 in all—in the hope of taking a slice of Egypt's burgeoning import finance requirement (the import bill was \$4bn last year).

initial enthusiasm to finance investment projects, as stipulated under their licences, soon drew criticism in the local Press. The local banks, fearful of the competition and wholesale raids on their personnel, were quick to exploit these complaints.

Challenge

They themselves were illequipped to meet the challenge of the foreign bank invasion. The four commercial banks . Banque du Caire, Banque Nisr, Bank of Alexandria and National Bank — became during the Nasser era, little more than money lenders to the public sector. Business was parcelled out on a pro rata basis and as the public sector felt more comfortable acquiring funds on bank overdraft, with few constraints on lending and interest rates unrealistically low, the local banks did a good but un-

Herculean efforts have been made by Finance Minister, Ali Lutfi, and his predecessor to

cott—notwithstanding, the bank—sector deficit under control, but sion ing community in Cairo seems it is involving little short of a No cultural revolution. At the same time there is a growing realisation that nothing can be done to improve the traditionally low. rate of domestic savings until interest rates rise sufficiently to compete with the 12-13 per cent Egyptians can obtain from locally-held dollar and tother foreign currency deposits.

Domestic interest rates rose 2 per cent last year to the current 8 per cent base rate and Egypt has agreed under the terms of the IMF Extended Fund Facility last year to pus them higher. The raising of interest rates is being resisted: by the public sector because of the extra servicing cost it will entail. Nevertheless, Dr. Luffi has promised to increase interest rates on housing bonds from the current 6 per cent to 8 or 9 per cent by the end of the year, according to local Press reports.

Last year local banks given permission to deal in foreign currencles by taking deposits and issning foreign currency bonds: Pre vicusly only Egyptian controlled joint venture banks were able to tap the kicrative business of offering Egyptian customers pound and dollar accounts (offshore banks are only allowed to deal in foreign

currencies). This official pushing and prodding has given more heart to the domestic banks to be enterprising. It has also helped them take a constructive rather than obstructionist attitude to foreign

There have been changes too in the foreign banking scene. Stiff competition, especially in commercial banking, has put off the fringe bankers but has not stopped those with serious intentions from putting down roots and prospering-

Chase National, the Egyptiancontrolled joint venture be-National Bank and Chase Manhattan Bank used to be the yardstick by which to judge foreign banking success; but after a period of phenomenal growth it is now consolidating. Chase National has been active in syndicating loans and recently launched the first Egyptian pound-denominated syndicated loan for a total of \$10.2m for a

BOYCOTT-OR threatened boy- bring the bank-financed public Seven Up bottling plant exten-

taken up by Misr International Bank, which like Chase National is able to work Egyptian and foreign currency accounts because of the controlling Egyptian interest, 47 per cent Banque Misr and a four per cent Misr Insurance Company. The remaining 49 per cent is held by European, American and Japanese interests. Mibank more than doubled its profits last year to E£2.6m and looks for a steady rise in medium-term lending. At present it has Effin committed and Ef4m disbursed. It has opened a branch in the southern Cairo suburb of Maadi and will be opening another in Heliopolis towards the end of the year.

Dearth

Much the same story reported from the European and American orientated off-share Citibank and Lloyds banks. International, for instance would like to do more medium-term lending but have until recently found a dearth of properly thought out ventures. Both are assiduously cultivating their links with the larger busi-ness corporations, using export credit facilities where possible. providing supplier credits or syndicating loans where the funding required gets larger. Lloyds in particular would like to develop its links with the public sector companies which still tend to stick by their traditional links with the

An important new element in the Catro banking scene is a group of Egyptian banks set up mainly to utilise the remittances of Egyptians working abroad. They include the Nile and Delta Banks. Most prominent, however, is the Suez Canal Bank, which was set up specifically to encourage development in the

domestic banks.

Since it has the powerful Arab Contractors' pension fund and the Suez Canal Authority as shareholders, some say with envy that it cannot fail. These banks are-also posing a threat to the clearing banks. The Suez Canal Bank is believed to be taking some of the coveted Suez Canal revenues, previously

the domain of the clearing banks. Citibank has tried with limited success to break into the by setting up a branch in Por

but with limited success. This healthy domestic grown should not disguise the long term harm a sustained Aral

boycott could do. The obvious casualty is the Arab Organisation for Indus trialisation (AOI), to be disbanded on the instructions o Egypt's other three partners Saudi Arabia, the UAE and Qatar. Dismemberment of the \$1.04m arms production organ isation may yet involve the cor respondent banks holding AO

funds in painful decisions, The whole construction in on Gulf and Saudi private fund: channelled through the Arai offshore banks. Funds seem to be coming through for ougoin projects is far less certain. On syndication with Arab mone for a hotel does appear to have Baghdad resolutions, but it wil be some months vet before the true nicture emerges.

The other notable and noten ially damaging casualty of the Eurodollar loan which the Aral plants of the Cairo banking fraternity, Arab African International and Arab Inter national bank, were helping to syndicate with the Europear Arab Bank of London and UBAF of Paris.

Syndicate

Withdrawal of their support killed the loan, although Citi bank, one of the three European lead managers, has made a offer to syndicate a loan of ur to \$130m to purchase for McDonnell Douglas DC-10s, part of the original package.

The \$300m loan was Egypt first Sally into the Europoils market on its own surety. loan lead-managed Manhattan in 1977 was underwritten up Gulf Organisation for was underwritten by the Development of Egypt (GODE) Uncertainty about the status of that loan can only affect Egypt's credit rating adversely when it comes to tap the Eurodollar market in earnest a year or two

Removing the Arabian rus could affect another important reform - the floating of the Egyptian pound. Great strides have been made in unifying the e rates. At the begin ning of the year the absurdly over-valued official rate of 39 scrapped, leaving a parallel rate of 69 piastres to the dollar and an open market rate of between 72 and 80 plastres. Since the Bagindad sanctions the open market rate—despite large workers' remittances—has been bumping up towards the 80 plastres level, reviving feats of black market developing

While the disparity remains around 10 per cent, it will be hard to float the pound. For the aven development of horse the even development of banking institutions and the creation of a capital market, reliable access to foreign exchange supplied more than amply until now by workers' remittances is essential. It will become more so as the demands of the expanding economy become greater, when companies make calls for \$30m or more which they are beginning to do now. It is here that a boycott, stringently applied, may have its greatest impact.

Alan Mackie

A weak system

THERE WAS alarm in Western Herr Hans Dietrich Genscher, to the year 2,000, aims to make the West German Foreign Libya self-sufficient in food and Minister, was particularly sur-prised, Gaddaffy having pro-mised Germany more oil only a few days before. Other countries had had the same promise in the wake of the Îranian revolution.

This was not the first time Col. Gaddaffy had threatened to stop oil exports: he had made it clear in various interviews since the spring that he favoured keeping oil in the ground. In June he said he was thinking of stopping the 730,000 barrels per day Libya sells to the U.S., in retaliation for an American embargo on aircraft

Yet the talk of halting oil exports appeared to be a statement by the Libyan leader of what he would like to do rather than what he was intending to do, as he indicated when he later watered down the state-ment that had caused so much

The fact is that despite its population of only 2.8m Libya spent the bulk of its revenue last year at home and even though it is accumulating a larger surplus this year its ac cumulated reserves, which stood at \$3.8bn last February, are not sufficient to allow it to keep going without oil exports for more than a few months. Revenue in 1978 was \$8.6bm

and expenditure is believed to have been \$6.2bn, which should have left a surplus: puzzlingly, though, reserves declined from \$4.8bn at the end of 1977 to \$4.2bn at the end of 1978. This year revenue from 1.8m barrels of oil per day is expected to amount to more than \$11bn, in view of the much higher oil price, while budgeted expenditure has been officially set at \$5.3bn, less than the 1978

In fact Libya is in the throes "Transformation Plan" which has very wide implica-tions both for the country itself and for the budget Some \$10bn of projects were under way at the beginning of this year and between June, 1978. and June this year some \$5bn worth of contracts were signed in the non-military sector alone. while defence spending is huge.

Under the Transformation 500,000 people by the year 2,000, capitals at the end of June when Plan Libyan planners are com- and thousands of kilometres of Col. Muammar Gaddaffy, the mitted to set up the kind of roads to link together different Col. Muammar Gaddaffy, the mitted to set up the kind of Libyan leader, said that Libya welfare state Col. Gaddaffy is was planning to stop all oil advocating in the three volumes exports for up to four years. of his Green Book. It goes up consumer goods, to provide a house for everyone, to set up the best communications network money can buy, and to equip the 27,000-man armed forces with an impressive arsenal.

> The plan is in the image of the country itself—huge. It includes reclaiming 800,000 hectares of land for agriculture, building a \$300m steel mill at Misurata on the Mediterranean coast, new townships at Marsa el off a flight of Libyan husiness-Brega and Ras Lanuf at a cost of \$1.35bn each, houses for

CONTINUED ON NEXT PAGE

contractors has grown since the General People's Congress decided last January to implement Col. Gaddafy's Economic Revolution principles of turning private enterprise into "part-nerships of workers," which set

corners of this 1.7m so km country—seven times the size of

All this requires immense expenditure, and costs are rising

because of Libya's growing

dependence on foreign contrac-tors and on the 400,000 expat-

riate workers the country

employs. Dependence on foreign

men into exile. The first five-year plan, run-

Allied Arab Bank Lid منك الانتحاد العرفي

BALANCE SHEET

AT 31st DECEMBER 1978 SHARE CAPITAL & RESERVES Share Capital 15,000,000 16,931,703 51,120,347 LOAN STOCK J 10% Upsecuted loan stock LIABILITIES 4,000,000 Current and deposit account , 2,156,834 Accrued interest payable and other 204,129 Fixed assets 2614361 **- 919,085** 919,085 E 104,234,163 £ 104,234,183

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ARAB BANKING AND FINANCE XI

IRAQ

Greater confidence

irag's unique position among Government is bound to bonour major Arab oil producers of its commitments. Its increashaving a comparatively large ingly forward role in the Arab potentially 95bn barrels...

Even without the Iranian cut. . The Irani banking system will backs Iraq eventually would see little of the increased have overtaken it as OPEC's revenue. The almost total second largest producer. The state control of the economy has fall of the Shah simply means fended to reduce the banks' that Baghdad's current output domestic role to a smaller one is only a little less than its than in almost any other oil eastern neighbour. With oil exporting country. The comrevenues in 1978 already mercial banks were nationalised totalling 3.2bn Iraqi dinars as far back as 1964 (the public control of the (\$10.8bn) 1979 revenues should sector took over insurance, and reach at least \$14bn

Much of the increased revenue will be spent on im- led to all commercial banking political survival. Planning, proving pay and social conditions—the Government's most likely response to the possible nolifical repercussions of the Iranian Revolution.

Secrecy.

. This means that its financial reserves are unlikely to show any sustained dramatic rise over the next couple of years. Over the past two years the regime has shown great secrecy on this: question. The last figure that the International Monetary Fund has been permitted to publish was for the end of the third quarter of 1977. Gold and fereign exchange reserves then amounted \$5.67bn. At the end

expenditure on construction which imports are limited.

rose to \$3.35bn and the country. In vivid contrast to the rose to \$3.35bn and the country. In vivid contrast to the second situation in the Lower Gulf is now considered the second situation in the Lower Gulf higgest market in the Middle the Government has yet to ming 1978-80, will cost \$31.25bn have no branches abroad. Fact for this sector. In the surrender to the demand for when completed, 23 per cent Foreign banks have no operations overall more consumer goods. But the more than originally estimated, tions in Libya, and there is no consumer goods. projections. But this year's allocations for capital goods were up no less than 179 per cent over the 1978 level.

organisations ministries show a growing capacity to determine their own plans rather than rely on the Planning Ministry. But know-

TT TOOK the Iranian revolution International Statistics since to place the evident potential file beginning of 1978.

Of Iraq in purspective Tae fall to offer Arab states is increasing. The ideology of the Shah, and the catback offer Arab states is increasing. The international Tail is apparent that aid to inflationary pressure which may be difficult to control. The ruling Baath Party has always been aware that the unpopularity inevitable in its rigorous political control has been compensated for to some all the Arabs. So far Iraqi aid increasing in the failure of early plans conceived in 1973-74. Despite its rigorous political control has been compensated for to some extent by greater economic politics, combined with the at the Bagbdad summit in obsessive secrecy of the govern—March, Iraq pledged itself to dispense \$1hm to the front line Iraq's economic performance states. As the initiator of the Iraq's economic performance states As the initiator of the issually obscure.

Its potential springs from politically and economically, the Iraq's unique position among Government is bound to honore. tion is now estimated to be 3.2m mean more aid from the Iraqi barrels a day with very large Fund for External Developoil reserves. Exploration has ment North Yenen is already been limited but the Iraqi oil scheduled to receive a losn of Ministry claims that these scheduled to receive a loan of \$300m, a sign of Iraq's backing for Sanaa against Aden.

re-insurance at the same time).

activity being handled by the Rafidain bank, which also has part in the investment of the state's surplus—though a minor one compared with the Central Rank

Specialised banks the Incinsively in their respective spheres. Between 1960 and 1973 only ID 161.3m had been advanced by all three: Since 1974 it has been the Real Estate Bank which has expanded most rapidly, its loans for 1977 totalling ID 66m.

Commercial bank deposifs by clients had risen to about \$1.4bn at the end, of 1977. Yet it remains unclear what better amounted \$5.67bn At the end remains uniteer what heter of last year they were believed to total about \$9.5bn. their money. Imports are closely controlled and luxury approximate absorptive capacity. Last year, for instance, total expenditure on construction remains uniteer what heter of with their money. Imports are closely controlled and luxury about the shops. For instance, there is a long waiting list for cars of expenditure on construction.

ordinary budget of \$2.2bn is largely attributed to salary increases. It is difficult to believe that the Government can continue to increased demand.

The revolution in Iran is likely to reinforce the Baghdad

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extent by greater economic prosperity spread right across the country. Indeed, Iraq's economic policies since the ruling Baath. Party came to power in a coup in 1968 have been distinguished by the Government's acute sense of its political vulnerability.

From the fall of the monarchy in 1958 to the collapse of the Kurdish rebellion in 1975 Ireq was highly unstable. There was doing much for the peasantry. Development of the oil sector was affected by successive governments' disputes with the Western-owned Iraq Petroleum Company group up until its nationalisation in 1972.

Survival

The coming to power of the Baath Party in the coup in 1968 did not immediately end this situation. The Government was Since then consolidation has absorbed by the need for such as it was, remained incoherent when not merely academic.

Immediately after the 1973-74 oil price rises the Government, along with most other OPEC dustrial Bank, the Real Estate breakneck development. In the Bank and the Agricultural far south, around Khor al Co-operative Bank deal ex-But the absence of sufficient numbers of skilled workers, managers or an adequate infrastructure has rapidly ensured that ambitious plans have had

(industry takes some 40 per cent). For all the vast irrigation and drainage schemes in the countryside agricultural production has dropped and is still dependent on the weather.

Inevitably there is now increasing emphasis on developing the oil and gas industry. Capacity is now about 4m barrels a little industry outside the oil city is now about 4m barrels a sector. Land reform struck at day and this can be pumped the feudal landlords without either to the Gulf at Fao or through two major ninelines through two major pipelines which run across Syria and Turkey respectively. refineries are being built (capacity was only 184,000 barrels a day in 1975) and old ones

> The emphasis on the oil industry and related develop-ments is likely to increase though investment in major new industries will be cautious and limited by the weak infrastructure. At the same time the revolution in Iran probably will prompt an increase in the military budget. The armed forces, together with internal security, already accounts for 38 per cent of the ordinary budget.

So far there is little sign countries, began a policy of that the rigorous state control breakneck development. In the of the economy is loosening. On the contrary, the country's bureaucracy appears to be more fertiliser and petrochemical confident than ever. Such plants, which were largely the sections of the private sector fruit of this policy, were begun which remain are expanding and are now being completed, with official encouragement a sign of government confidence rather than indications of a diminution in its role.

Patrick Cockburn



CONTINUED FROM PREVIOUS PAGE

crazy. Prices are rising all the time and we find it difficult to buy the goods we need." Almost everything is imported in Libya, from food to know-how and

Libya's ability to handle its revenue and to organise spendview that its policy of austerity ling at home is seriously conledge of the precise state of is the safest political course, strained by the weakness of the Iraq! finances is hardly assisted. Nevertheless, the rigorous con-banking system. Libya's nine by the largely blank sheet Iraq trols on imports, combined with banks and financial institutions the many failings of the State were nationalised in 1970, and

capital market. the private sector the economic revolution has limited the banks role. There is little profitable The take-over of premises has also limited the property market sharply, and hampered imports since most Libyan importers had put up their premises as collateral against trade finance.

Banks and financial institutions in Libya now handle the repatriation of foreigners' earnings—foreigners are allowed to send back home 90 per cent of their earnings if employed on a desert site and 60 per cent if employed in cities-pay foreign contractors and State or "partstaff, and lend for interest-free. Individuals in Libya can apply for loans to up to \$47,000 to build a house. Banks also lend without interest to those willing to manage farms on land reclaimed for agriculture, but the cost of local agricultural products is still much higher than the cost of imported food.

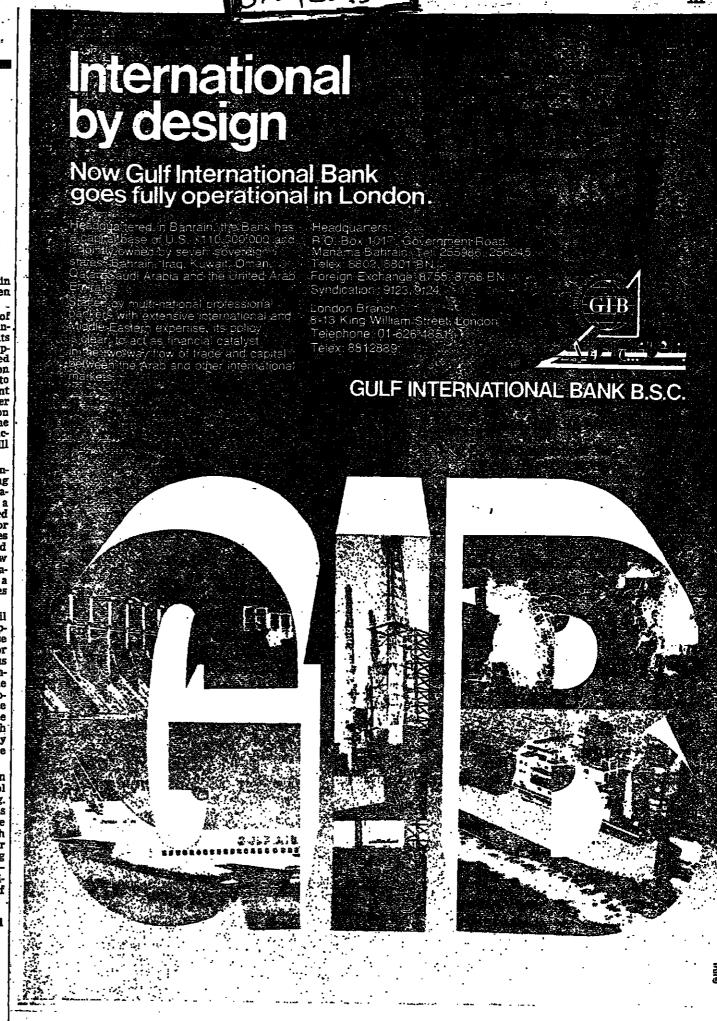
The cost of living having risen sharply in the last two years, banks are collecting little savings. Figures are not available, no banking statistics have ing been published since 1977 The Libyan Arab Foreign Bank (LAFB) is a special case and warrants special considera-

Since it was set up by the central bank in July, 1972, to handle the massive oil earnings and foreign investments, it has become the most active financial institution in the country and one of the fastest growing Arab and international banks. retains its independence, despite government control, or administration changes, and its chairman, Abdullah al-Saudi, and most of the management are accountable only to Col.

Gadd: Tr.
LAFB recorded profits of \$84.5m between 1972 and 1977 and a 1976 turnover of \$2bn. It has participated in 28 inter-national bond issues, worth more than \$1.5bn and has been an underwriter for more than 100 syndicated loans and other of which about 30 per cent went to developing countries. It has shares ranging between 7 per cent and 60 per cent in 24 inter national banks and companies of which the most spectacular is its holding in Flat.

LAFB has taken shares in three new joint banks since January-in Niger, Greece and Peru-but has not raised its shares or increased its investments in other ventures, a sign that oil revenue surpluses are not running as high as in the

early 1970s. Gerard Castoriades



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JORDAN

Huge increase in business

ments, Jordan's banking sector is moving into a more relaxed period where all concerned can take stock of the past year's phenomenal increase in business. This is prompted by the Central Bank of Jordan's imposition last month of monetary controls designed to dampen inflationary pressures by curbing the growth in the money

supply and commercial bank lending. The controls-similar to those imposed in 1976-include a 70 per cent credit deposit ratio ceiling and raise the minimum reserve requirement of commercial banks from 12 to 13 per

cent for demand deposits. Central Bank officials point out that commercial bank lending during the first quarter of this year was running at the monetary authorities is that a rate of some JD 9m per month, full 62 per cent of this credit compared to about JD 4m a has gone to the inflation-fuelling month in the first quarter of last trade, construction and property year. This has reflected the sectors, with relatively small banks' increased deposits, which loans directed to the productive rose by a phenomenally high 68 industrial per cent in the 12 months from sectors.

cent for time and savings deposits, and from 15 to 16 per

This has also reflected the increase in the economy's money supply (M2), which rose by 32 per cent in the same period. reaching JD 661m in March of this year.

The causes of the highly liquid state of the economy are to be found in the steady inflow of large amounts of money from abroad. These include the high level of official foreign aid to the central government budget, the approximately JD 300m a year in private workers' remittances, tourism income of about JD 100m a year, and enthusiastic commercial lending by banks.

The country's 15 commercial banks had total outstanding credits at the end of March this year of JD 363m, reflecting a very high increase of 70 per cent over March of the previous year. Equally worrying to the and agricultural

the establishment of a series of new institutions and the adoption of new financial instru
latest months for which statistics slow down commercial bank have been joined by two investored in March 1978 to JD 508m in and possibly encourage bankers. Arab Jordan Investment Renterment Vivolument Viv will cut down profitability.

Judging from initial reaction by commercial bankers, it seems that the Central Bank's controls will have one intended effect of prodding bankers to lend money according to the overall development requirements of the country, instead of purely according to their own profit A gradual readjustdictates. ment of the credit portfolios of banks, with rather more stress on productive schemes, is therefore to be anticipated in the near future.

Hectic

This corresponds to a series of new developments in the Jordanian banking and finance sector during the past 12 months of hectic activity, most of which portend a far greater ability by Jordanian companies to raise their capital needs in the local marketplace, instead of turning

to lend more money to pro-ductive projects and less to the inflationary sectors. The coun-try's bankers are irritated by the controls, claiming that they will cut down profitability.

Arab Jordan Investment Bank, (with strong Gulf sharehold-ings) and the Arab Finance Corporation of Beirut and its international group with several European companies, including the Al Saudi Banque in Paris."

Now under establishment is the Jordan Securities Company, which will bring strong international links into the budding securities market that is growing up around the 18-month-old Amman Financial Market (stock exchange). Jordan Securities Company has been promoted strongly by the Central Bank and the International Finance Corporation; the IFC, two Kuwaiti investment houses and the Korea Investment and Finance Corporation of Seoul are all expected to take minority shareholdings in the JD 2m capital of the new company.

It will deal in all kinds of securities, and plans to open its doors in January next year. Its work will revolve around the stock exchange floor, where business has been rising faster than anticipated this year. Trading volume on the floor during

JD 2.146m, and has been rising national borrowings. steadily to reach a daily average. The foreign exchange mark turnover of nearly JD 40,000 is also changing. The policy this summer. At this rate, total of the Central Bank is gred turnover this year will be over ally to dismantle all foreign turnover this year will be over any to dismanue an integral 100 per cent more than last exchange controls, Gentral Ban year's total of JD 5.615m, of Jordan Governor Dr. Moham according to the Chairman of the Amman stock exchange, Dr. Theshim Schhagh Hashim Sabbagh

This does not include trading of bonds, which the stock exchange initiated at the start of this year. The market lists 11 10 year bond issues, worth JD 60m, all of which were issued by the Central Bank on behalf of the Government. A new change in the tax laws now gives private corpora-tion bonds the same tax ΩП exemption earned that the Central Bank bonds had previously exclusively enjoyed. This is expected to increase the use of bonds as a financing instrument for local companies, as evidenced in the move by the country's sole cement company to raise JD 5m through a local bond issue that is being jointly underwritten and managed by the two new investment banking firms - the Arab Jordan Investment Bank and the Arab Finance Corpora-

tion (Jordan). Negotiable certificates deposit have also been introduced into the market by the Amman branch of Citibank, with other banks studying the popularity of Citibank's CDs to consider issuing their own. The semi-state Housing Bank is planning a CD issue later this year, which would be listed on the Amman stock exchange to encourage the development of a secondary market in CDs.

Practical -

Yet another significant development has been the move to put together locally syndicated loans for Jordanian industrialists and investors. different local syndicates have been completed during the past disturbance in the year, most of which have status will allow it to iss enjoyed Government guarantees. bonds and and berrow to rak Denominated in Jordanian its capital, but it will continue dinars and usually having a 9 to lend money only to finanper cent fixed interest rate, the local syndications are proving practical for Jordanian companies, given the good interest rate and the lack of any foreign

The Central Bank feels it can The 15 commercial banks the first quarter of this year was exchange risk inherent in inte

said this was dictated in part t the country's strong balance payments situation which showed a small surplus of sor JD 18m last year and is like to remain in surplus this year reflecting the strong inflow foreign money.

This inflow is expected crease this year, given th ID 400m pledged to Jordan the Arab summit at Baghda last autumn and the larg amount of remittances fro Jordanians in the oil States.

Needs

A new development in the foreign exchange market will to the establishment of a form forward market; the Centre Bank is now working on reg lations to launch the forwar market sometime this summe which will primarily serve it needs of contractors for forwar cover now that most contrac in Jordan are priced in dina

The financial sector will s more diversity with the open of the new Jordan Islamic Ba this summer. It will ske interest-bearing accounts at interest-charging leans, and w instead operate on the prof sharing principle, which it wi

The Pension Fund is chan ing its status into an investme company concentrating c lsunching new industries, les ing the pension-paying function to the Finance Ministry. It wi be called the Jordan Investmen Corporation.

Another institution in met morphosis is the Municipal ar Village Loan Fund, which being changed into the Development Bank for Muncipality and Village Councils. Its ne municipal and rural develo ment projects that are mostly the social services sector.

Rami G. Khom

LEBANON

Waiting for the upturn

IN SPITE of four years of con- certainly advise all foreign tinuing turbulence and instability in Lebanon, local and this country, because I can see foreign bankers remain confident that Beirut is still capable of regaining its status as an important financial centre in the Middle East.

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LEBANON

They admit that the volume and diversity of banking operabeen 18 months of bloody civil war. But they believe the system financial centres such as would be ready for a spectacular Bahrain, Kuwait and Amman. upturn once long-term peace

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banks to retain a foothold in the unrestricted foreign exan economic boom is imminent."

Lebanese pragmatists, including the Prime Minister, Dr. Selim al Hoss, himself a banker turned politician, no longer uphold the concept that Beirut is the Middle East's principal tions has shrunk during the past financial centre "because this is four years, in which there have no longer true"—and they point to the growth of other

But given lasting tranquillity and stability were guaranteed. and peace. Beirut could prove During a recent visit to to be an important part Lebanon, Mr. Robert Abboud, of the region's overall banking part Bank of Chicago, said: "I would pragmatists say.

They generally assume that change market, the banking secrecy law and Lebanese expertise in dealing with money are all as perennial as the balmy Mediterranean climate. the exotic beaches and beautiful

mountains of Lebanon.

As soon as relative peace returned to the country in late 1976 and the banks reopened in early 1977, most of the funds that were taken out of the country during the civil war began flowing back, augmented by substantial remittances from the Arab States by Lebanese expatriates working there. Total bank deposits quickly rose by about 42 per cent to their prewar level of £L12bn.

Mr. Michel Khoury, Governor of the Central Bank, estimated recently that Lebanese expatriates' remittances totalled \$100m a month, which nicely offsets the balance of trade deficit running at around the

of 1977. By the end of 1978, total bank

deposits registered an unprecedented rise of nearly 70 per cent over the four-year period to £L15bn. However loans and advances did not grow in the same proportion, largely because of the continuing un-certainty in the country.

Both hankers and borrowers were reluctant to commit themselves to lending and borrowing new loans before political and security conditions cleared

The bulk of banking opera-tions were geared to finance commerce and businesses with a high rate of turnover to ensure quick repayment of loans. Nevertheless, domestic credits rose from £LA.8bn in 1974 to about £L10bn by the end of

With long-term investment opportunities still lacking, the banks have been left with an uncomfortable excess of liquidity that remained largely inactive in the beginning but later was channelled to financing speculation in real estate and in foreign currencies, mainly the dollar.

The immediate result of such currency speculation was a depreciation in the exchange rate of the Lebanese pound vis-2-vis the dollar, the pound sterling, the Swiss and French francs as well as other convertible currencies.

Discontent

Since this added fuel to spiralling inflation already running at an annual rate of 35 per cent, a popular wave of discontent began to be felt; prompting Lebanon's central bank authorities to intervene.

Various reasons have been offered to explain why the demand for foreign currencies has outpaced supply. One of these is the fact that the rate of interest on dollar and sterling accounts for example, is much higher than the interest on Lebanese bank

Some bankers have been accused of going out of their way to encourage their clients to convert their Lebanese

pound accounts into dollars and make more money. Another reason is attributed to the general conditions of instability in the country: a

slight security situation immediately push up the demand on foreign currencies. To arrest this wave of specu-lation, the Central Bank early this year imposed restrictions

on loans in Lebanese pounds to the private sector. According to a Central Bank circular, total new loans must not exceed 20 per cent of loans outstanding on December 31, 1978, or 5 per cent of loans outstanding on April 30, 1979, whichever is the Further, in a move to absorb part of the excessive liquidity with the commercial banks, the

Central Bank ordered that they should increase their mandatory reserves from 10 per cent to 15 per cent of their Lebanese pound liabilities by the end of November. There was also an Another factor that led to the growth of bank deposits was the increase in the number of bank branches from 227 before the civil war to 365 by the end

Central Bank officials hope these measures would remove at least Lf120m from the banks, so discouraging speculation in property and foreign exchange, which have depressed the value of the Lebanese pound:

The government also stepped in to absorb the excessive liquidity by issuing Treasury bonds with maturity ranging between three months and five years. More than £Libn have been raised in this way to finance the government's administrative expenditure over the past couple of years.

Bolster

In an attempt to bolster the value of the Lebanese pound, the rate of interest on shortterm Treasury Bills (three months) was also raised from

3 to 4 per cent.
In spite of all the pressure and the adverse repercussions of the war and a 50 per cent drop in economic activity, the Lebanese pound had demonstrated a remarkable strength, thanks to its high gold cover, estimated at more than \$3.5bn at current prices.

While the structure of a successful banking system and a free exchange market is already there, it would be wrong to imagine a take-off could take place immediately without drastic action in various areas related to banking.

Apart from the need for a clearly-defined monetary policy and a more effective role by the Central Bank to carry it out, urgent action is required to improve the mail system and telecommunications. including telex and telephones.

The aim. as most bankers tend to agree, is not only to return to normal, but rather to make up for the progress that would have been achieved if conditions were not disrupted by the civil war and its consequences,

Beirut may have lost its role as a channel for funds between the Arab world and the West, but it remains an important financial centre in the Middle East with an equally important part to play.

Tewfiq Mishlawi



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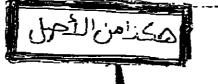
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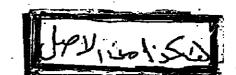
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UNITED ARAB EMIRATES

Dubai, Sharjah



When a Tory is not a conservative

EUROPES 410 newly-elected ring in the goldfish bowl

exasperated with the complexities of European horse ment in its negotiations with the Complexities of European horse ment in its negotiations with the Council of Ministers. But above all, the choice of a President represents the Parliament in its negotiations with the Council of Ministers. But above all, the choice of a President saw set of political dent is an early trial of strength parties at once one national age. European, and a third to story up the religious and cultifuration and council of the parties.

he place of national parties in the European Parkiament. The by an equally strong argument idea was that the groups should in the candidate's favour from use the time to settle most of the important decisions affect.

Ing the power structure of the French Minister of Realth, was, new Parliament, leaving the irmalities, and perhaps a pre-minary canter over next normalities, and perhaps a pre-nomination. At the beginning infinity canter over next of the week, her case seemed very hudget course for the straightforward enough on the first full session this week.

Uncertainty

" This would have meant that by the end of the week the iden-centre Right allisance of which fifty of the new President of the British Tantana the third the Parliament would have become fairly clear and that the had decided to join the Liberal membership of the committees group and was therefore apparaisations. would have been in effect agreed between the groups. Things did not work out quite so smoothly. The assumption of the Centre Right doubted the until Thursday night, when the validity of both the agreement MPs left for home, was that the and of her credentists as a custidate of the Centre Right senior member of the European would win the day. But there, movement. For some members was enough uncertainty about of the British Conservative precisely who that candidate group, the very fact that she would be to ensure that the called herself a Liberal was

My arrive in Straspourg today the goldfish bowl of Mys arrive in Straspourg today. European politics, the question for the ceremonial opening of had gained a momentum of its the new Parliament tresh from our which owed very little to an immersion course in Earcy the importance or otherwise of pean politics which has left the job at stake. It is, in fact, many of them dize, and rather more than ceremonial since the exasperated with the complexities of European horse ment in its negotiations with the content of the president represents the Parliament in its negotiations with the content of the content

As a, practical introduction st For four days last week, the to the many dimensions of sew members met in Luxem- European horse trading, the hours in the political groups exercise could hardly have been which are supposed to unite bettered. Every time a new client manner of the political scross name was mentioned some new mational boundaries and take objection was put forward objection was put forward — almost invariably accompanied

> the original favourite for the strength of an agreement be-tween the Liberal group and the Christian Democrats in the last Parliament, it was supposed to be the turn of the Liberals to provide the candidate of the the British Tories form the third ently running under the right colours.



to Europe only to support a colleague of Mr. David Steel. colours. Cader of the British Liberal Party, and, in any case, they said as the arguments whizred to and fru, how could any Giscardian behave like a proper European when it was covious that they would be at the beck and call of the French presi-

Nonsense, replied the more

leagues, would be appoiled to into their network And besides, find that they had sent members the pro-Veil forces concluded really rather well treated — too to Europe only to support a with what they hoped would be well, for some purists in the the final devastating shot, it al- Labour delegation. Cars are ways pays to back a winner. available to run them around

Veil, they pointed out, is not as Monopoly money, seemed the assured winner because, more than adequate to pay for though she may be a Liberal, meals and leave enough left her association with abortion re- over to buy cheap drink in form in France means that some the Parliament's subsidised Catholic members of the Centre supermarket. Right alliance, may not be able question remained the all-enough to put them off experienced hands in the deleabsorbing topic of conversation. Voters at home, they argued gation. Since the French are so circumstances, it would be better about the place which has the
conversation of manoeur to the evident instation of their obvious a power in the com-

the former Prime Minister of Former Prime Ministers walked Luxembourg, M. Gaston Thorn, around without attracting much So the arguments went on. At he very moment when the MPs left a group of British Conservatives was still trying to put a candidate of its own into the

exercise was carried out in what looked at first like a remarkably public manner, but which on closer inspection was shown to be quite as devious as any British respirations. Orientures political negotiations. Overtures which in Westminster would have been made in dark, discreet corners, were made in public in Luxembourg only to be overtaken by another, equally public, conversation with somebody else later in the negotiations.

Well treated

Underlying it all there were agreements reements which embers felt were deliberately concealed from them, and of which nobody seemed quite certain whether they existed or not.

It all took a bit of getting used to for those British MPs with no previous experience of European politics. For a start, Mme Veik: plug in to French power?

there was the surprise of finding that after the rather off-handed way in which they had been treated in Britain, in Luxembourg ordinary MPs are Precisely, agreed her oppon- and the expenses, paid in what ents with equal confidence. Mme most MPs appeared to regard

There was also a slightly sur-

peccable Liberal European like for students of mixed ability. more interest than those mem-bers with little previous political statesmen are surrounded by young members of the Italian Left who would have looked equally at home in a street

> That sort of thing apart, the British members had to come to terms with the unfamiliar way in which the Parliament is organised. Instead of the Government supporters and the opposition facing each other across a deep divide, the six groups—seven if the one formed to protect the interests of independent members survives a proposed change of rules next week-sit next to each other around a semi-circle. Relations with the group next door are not always without stress. But, since it is virtually impossible for any one group to get any-thing done without the help of another, consensus, rather than adversary politics, is the name

of the game. Members, therefore, cannot fford to be inhibited by the kind of prejudices which their electorates at home might regard as perfectly legitimate. Labels in Europe can have a very different meaning from those at home. A Belgian speak a language other than parliamentary experience, the Liberal, for example, would English. Nevertheless, most majority of his members had with a British Conservative than with Mr. Steel.

Identifiable

By and large, the British MPs seemed to adapt to the new rules very well. Most were still easily identifiable as being British and tinctly the European Liberal Group European Democratic Group.

HOW THE GROUPS COMPARE

European Progressive Europ. Democr. Group* * Mostly British Conservatives, French Gaullists and Irish Fianna Fail.

only if it, in turn, promised not validity of the European elec-

had to swallow hardest. Out- and even some of the Liberals. numbered in their Socialist group by members from other countries, some complained that it was impossible ever to get anything finished, and that nobody listened to anybody else. None the less, they had their successes. Smoking was banned in the Socialist group meetings as a result of a British initiative and by the time the MPs left. the idea of a kind of European Tribune Group of the Left was being discussed.

By contrast, the 59 Tories so dominated their group of 63 that it was barely necessary to feel probably have more in common accepted that though the Con-shown a good grasp of the servatives might be the biggest situation. Nme. Veil had to much anguish about what Mrs. Tuesday's ballot. Thatcher might say and how formally to acknowledge that ing English. Others suggested in Europe. So in future the that they should co-operate with group will be known as the

By changing the name, and to help the British Liberals in the rules of the group so as to their attempt to challenge the enshrine the rights of smaller parties, the Tories are plainly But most entered into the two dozen or so non-aligned spirit of the multi-dimensional plotting with remarkable vigour.

Of the two British delegations, it was the 17 Labour MPs who discardians to join the fold, and the problem of the second of the second

Experience

At the reception held by the European Democratic Group on the final day, only a sprinkling of outsiders turned up. Never-theless, Mr. Jim Scott-Hopkins, the leader of the Tory delegation, seemed pleased with his group's performance, if a little weary of having to suppress suggestions that the Conservatives should be fielding a presidential candidate of their own. By and large, he seemed to that despite their lack of single national party in the come and address the group in Parliament, they needed allies her bid for the presidency and from other countries. After their vote could be vital in

Much as some of them were their constituency associations complaining about the amount would take it, they decided of time they had spent on discossing the presidency, virtually some were persisting with dis- the word Conservative, with its all of them were enjoying the non-communautaire strong right wing overtones in power it gave them. In a behaviour like criticising a presi-dential candidate for not speak- when it came to winning friends they were delighted that so influential a French woman as Mme. Veil had to curry favour with them.

A measure of wealth

From the Director-General,

Institute of Directors

Sir, The picture printed by David Mortimer.

Lord Diamond on the distribution of wealth is misleading. It Euleng W5. may be true that share prices. staged an encouraging recovery during the period of Chancellor. Healey's reign But the facts behind his conclusions show that nersonal shareholdings those one might ascribe to the wealthy have declined steadily since the early 1920s, with a brief rise. Sir, I pead with interest, but prices in 1974.

wenty years ago, individual held some 60 per cent of well quoted shares. By the mid 1970s that proportion had been halved. Today's principal shareholders. are institutions and pension funds—not to mention trade unions-who invest on behalf of the British working man and

If you adjust the FT index for inflation, it would now need to stand somewhere around 1500 just to take account of inflation in the last decade. That is the real measure of the real wealth the so-called rich have to make

up. The fact is that the stock market is decreasingly attractive to the private investor. whose investment should fundnew plant and equipment in order that British industry can. expand and compete in world markets. If only the stock market did make the investor richer, more people would commit their savines in this productive way. Walter Goldsmith, 116, Pall Mall SWI.

Help for small firms

Sir,—Your article describing the possible form of the government's new scheme for financial nid to small and new businesses: mentioned one element which could prove to be very significant in increasing the amount of money available hardely the pledge to cover up to 50 per cent of the cost of an investment

The present government does not see its role as being immedessarily involved with industry, small or otherwise, yet. it sees the need to encourage new small companies. By acting as an underwriter, rather than as a financier, its funds would not be committed to the same extent. Instead they would be available for areas thought tobe more appropriate to government action. Especially as there seems to be no shortage of money for small businesses, only of mechanisms for investing it satisfactorily.

A government underwriting scheme could if properly designed, spread the risks inherent in small and new those best equipped to take a particular element of it; the entrepreneur, the financial institutions and the Covernthe financial ment. The appropriate rewards would be similarly distributed. My own experience of raising money for my company has highlighted the problem of security. An entrepreneur, almost by definition has no security to offer. A government

Letters to the Editor

to prospective investors. The a factor of 34, but tobacco pro- the quality of UK management would approach the investor and make his case in a similar

From Mr. P.A. Buyliss

between 1974-76 following the some concern, the opinion catastrophic collapse of share expressed in your Editorial collapse of share comment that the best hope for ment in Britain was a resurgence of small business. The industrial and commercial tridustrial and commercial sector in general, and small businesses in particular, have suffered badly during the last five years from the effects of recession, inflation and price control. Real returns on invest-ment estimated by the Bank of England at 4.7 per cent pre-tax are a most inadequate background against which to attract capital to back new entre-preneurs. The recent Budget was a tremendous step forward, but you rightly say that it will

take years for tax changes to reverse past trends and that there is still much to be done to divert more of Britain's personal savings into venture I would like to emphasise, in the meantime, the absolute necessity of exempting small

businesses from credit squeezes. The independent businessman relies heavily upon the banks for capital, which though technically repayable on demand, is an essential part of its perma-nent resources. Inflation particularly has eaten into the capacity of the independent businessman to finance himself: hence his rapidly increasing interest in equipment leasing which, at present, is proving an efficient means of providing medium term capital. Nothing should be done to restrict the availability of money of this

sised these views and also the need to press on with the reform of the taxation of capital, to stimulate its mobility. There are still private individuals prepared to back enterprise, but they recognise that it involves risk which cannot be justified if the transfer of funds into new firms involves the pay-ment of taxes on paper profits. P. A. Bayliss.

National Economic Committee; The Association of Independent 38, Chancery Lane, WC2.

Tobacco stams

From the Chairman, Tobacco Advisory Council

Sir. Mr. Townsend is, with respect, at fault in stating (his 'something more durable. letter July 12) that cigarette British managers have had a selves to an industry which smokers are highly favoured in raw deal from society in the operates on an old and decaying with soap simply will not washi. Firstly tax on average now represents more than 71 per cent of

appointed agency would have to ducts, along with other taxable will be confirmed and their be approached by the entre-goods and services, have been reputation among their puzzled oreneur in the same way as he the full impact of the recent colleagues elsewhere in the the full impact of the recent colleagues elsewhere in the increase in VAT. colleagues elsewhere in the world, already pretty low, will Mr. Townsend is equally

wrong in suggesting that the revenue will lose by the adjustment in the balance of specific and ad raiorem duties on cigarettes when this takes effect ne it month. The impact on target revenue for 1979-80 will be negligible; also, sadly for Michael J. Lodge, Smokers, the Chancellor of the 442, Southchester, Fachequer can always increase the level of tax on tobacco products for revenue purposes, should he consider this the richt thing to do. (Sir James Wilson, Glen House,

English attitudes

From Mr. Michael J. Lodge Sir,—I was interested to read John Baker White's letter published on June 26, which alluded to a new "English Disease" of simistic management. While fully supporting his contention, I wonder if it is such a new phenomenon.

During the past 10 years, I ave been a member of Boards in Britain, Holland, Canada and the U.S. For the whole of that period, I found that British senior management is far more inclined than its foreign counterparts to take a sceptical and defeatist attitude to the admitedly severe opposing forces at work in the UK business environment. I should add that I am British myself and am not, therefore, being a critical out-

Few British managers will ever face up to the paradox that most of our better-off European neighbours have more highly paid workers, more restrictive labour legislation and generally giore socialistic administrations. Few will admit that, since the war, management in those countries has accepted its duty to lead and has sought out new markets, invested the necessary capital and established organi-When the Association met sations which in general and in Mr. David Mitchell, the Under sum have produced economies that are now much more effective, its representatives emphative than the UK's in creating and distributing wealth. sations which in general and in and distributing wealth.

During a recent visit to the UK since the General Election, I was surprised to run into the same old gloom and pessimism almost everywhere I went. The prospect of five years of promanagement Government and dramatically reduced personal taxation seemed to be generating zero enthusiasm

of gloom appears to be North Sea oil. A great number of are determined to diminish its importance and its life span and almost to apolo- to revenue and do not take into gise for its windfall nature. Of account repairs and main-course, it's an accident of geo- tenance, booking fees, deprelogy but so too are the natural resources of any country on be replaced after about five earth. The Americans say "It's years), labour, licensing and the better to be lucky than smart" and so, being lucky enough to have the oil, we should breathe a quick prayer of thanks and get down to using it to create investors look carefully at the

tax terms, while his comparison last decade in terms of pay, waterways system and which with soap simply will not wash! faxation and status. However, has had several very bad unless they now respond to Mar- seasons in the recent past. garet Thatcher's challenge by John H. Dobson, the cost of cigarettes (compared taking a greater quantity of funagency offering to underwrite a with 13.05 per cent of the cost of damental decisions with greater Alliance. new business venture would soap); so not only does taxation courage and greater optimism, 25 Victoria Street, increase-the attractiveness of it inflate the cost of cigarettes by many people's suspicions about London SW1

be almost impossible to recover.

I believe that the intellectual ability of British managers is of a high order; only their attitudes are at fault. They will never have a greater stimulus to change their attitudes than they have now.

Houston, Texas.

Kings and reviewers

Sir,-I was sorry to see Lord Snow getting carled away in his review last Saturday of Thea Holme's "Caroline of Brunswick" by his contempt for that much traduced Monarch, George IV, describing him in one purple patch as "soft, cowardly, faithless and (without any) core of character whatsoever.7 Iron Duke himself testified as to the King's political courage on occasion and his surgeon marvelled that the King, when elderly, suffered a painful cyst operation without complaint. In Philistine Britain, the

"faithless" George kept faith with a host of artists, writers and musicians, encouraging and supporting them to our greater benefit today. These are not the acts of a man without character. He was manifestly indolent, vain and spend-thrift. The King was also fat, and as Lord Snow says, "he became grotesquely fetter." but your distinguished and Whiggish reviewer, who carries a pound or two as well. as I recall, ought not to hold that against him. G. J. Melmoth, Throstles' Nest."

Whitney Croft, Tipher Fence Road. Macclesfield, Cheshire.

Pleasure boat profits From the Chairman

Canals and Narigations Alliance Sir.—As chairman of the

newly-formed Canals and Navi-gations Alliance, which aims to restore the inland waterways system and numbers both boat builders and hire cruiser operators among its members, was surprised to learn from Mr. McLain's article (July 4) that a pleasure boat can yield up to £4,000 per annum in profits. A good summer season lasts a maximum of 32 week and, although an eight-berth A particularly asinine source narrow boat could earn up to gloom appears to be North £6,000 if it were fully booked throughout the season and a four-berth boat would earn 54,150; both these figures refer ciation (a hire boat will need to

> yards which British Waterways Board is introducing. I suggest figures before committing them-

percentage levy on turnover for

· UK: Mr. James Prior, Employment Secretary, meets British Institution of Works Managers on

proposed employment legislation Stock Exchange expands Talis-man computer settlement of bar-

Ladbrckes apply for renewal of casino licences, opposed by Playboy Club and Metropolitan Police, hearing resumes, Central Hall, Westminster.

of London, attends Clockmakers' Company dinner, Goldsmiths

Today's Events Royal International Horse

Show opens, Wembley (until July 21). Harrogate Gift Fair (until July 19).

Overseas: Mr. Francis Pym, Defence Secretary, meets Dr. Harold Brown, U.S. Secretary for Defence, in Washington (until July 18).

Hall, Westminster. Mr. Moshe Dayan, Israeli Sir Kenneth Cork, Lord Mayor Foreign Minister, visits Holland. EEC Finance Ministers meet in Brussels.

EEC Economic and Social Com-

(until July 18). PARLIAMENTARY BUSINESS House of Commons: European Assembly (Salaries and Pensions) Bill, remaining stages. Debate on preliminary draft

Community budget.

House of Lords: Peers' ex-Denses motian. Limitation . committee. Companies Bill, report. Dealings with Witnesses Bill, second reading. Immunities and Privileges Orders. Northern Ireland Orders.

Debate on HM Inspectors of COMPANY RESULTS

Final dividends: Associated Leisure, Crown House, Hampton Trust, Montague L. Meyer, Ratners (Jewellers). Vinten Group. Interim dividends: Alexanders Discount Company. Robert H. Lowe and Co. Meggitt Holdings. Wearra Group. Interim figures: Deason Holdings. COMPANY MEETINGS

See Financial Diary on page 19. Balance of payments current account and overseas figures (June). Retail sales (June provisional).



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Mercantile House offer of 2m shares at 160p

AN OFFER for sale of 2m shares in Mercaptile House, a money broker and financial services group, is being made on behalf of the company by S. G. Warburg and Co. the merchant bank.

The application list opens on Thursday and the issue price is offered for sale, 620,000 are new shares and the remainder are coming from existing share-holders, including The J.P. Cabot Equity Corp. Cabot acquired its stake (1.12m shares) in 1977 when it sold its New York based foreign exchange broking business to Mercantile.

According to Mr. John Berk-nire, Mercantile's chairman. Cahot is selling its shares in order to concentrate on its other activities—principally a large bousing estate in the U.S.

Around £15.5m of Mercantile's £16.3m turnover comes from M. W. Marshall, its money broking subsidiary. These activities involve various markets in a number of international financial centres and cover foreign exchange, sterling and other cur-rency deposits as well as money market paper such as certificates

Saturn, the other operating subsidiary of the group, started trading in 1974 and its activities include advice on equipment leasing for UK local authorities and the management of two short term money market funds.

Net tangible assets of the

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not swallable as to whether dividends one interims or finals and the sub-divisions shown below are based mainly on last year's timulable.

TODAY
Interims—Alexanders Discount, A.
Kershaw, Robert H. Lowe, Meggitt
Holdings, Rank Organisation, Wearra.
Finals—Associated Leisure, Commercial Bank of the Near East, Crown
House, Hampton Trust, Kakuzi, Mantague L. Meyer, Ratners (Jewellers),
Vinten.

FUTURE DATES

Negretti and Zambro Nova (Jersey) Rosqill

profit for last year amounted to £2.6m. The dividend was 10.72p and directors have forecast that, in the absence of unforeseen circumstances, a similar dividend will be paid on the new capital

Directors have not made a forecast for 1979/80 profit but indicate that the earnings attrihutable to shareholders would be around £1,357,000 (assuming a profit similar to 1978/79 and

issue). Based on the projection, the dividend is covered 2.3 times. Preference is being given to application from employees of the company up to a total of 200,000 shares. Share certificates will be issued on October 3.

Cazenove are the brokers. comment

UK COMPANY NEWS

There is not a great deal of interest in specialist financial insurance brokers at the moment but Mercantile's issue price seems to take that into account. With a well covered dividend the offer price of 160p plus a p/e of 6.5 the offer should go well. Comparative yields on insurance brokers average 7.6 per cent and the median yield for miscel-laneous financial institutions is around S.S per cent. The group is well known to the City and already has a sizeable institu-tional following. The fact that Cabot is selling out is more of a bull than a bear point in that it removes a large block of shares that could have overhung turn its attention elsewhere and not because it lacks any faith in Mercantile. Profit growth in the past has been strong on the back of growing demand for both its money broking and financial services sides. The relaxation of UK exchange controls should particularly of the broking

Thermo-Skyships slow take-off

BY JOHN MAKINSON

has not yet taken off yet. Stock-brokers Laing and Cruickshank scriptions for a scheme designed to resurrect the airship as a means of thesp and quiet travel, but the response has not so far

Mr.- Julian Benson, who is managing the Laing and Cruickshank package, for the skyship company, says there has been a number of small acceptances from private individuals but that the investing institutions are still standing on the sidelines.

He believes, however, that the "feel" of the issue is now much more positive and hopes that institutions will come in at the last moment. The offer closes on

Subscribers are being asked to

The Thermoskyship project raise an eventual total of £6.4m Malcolm Wren, the company's las not yet taken off yet. Stock- for the project in £1,000 units, chairman and managing director, which mix ordinary shares, preference shares and unsecured loan stock. The package is partly paid-30 per cent now and the

rest about a year later.
The resue is being supported by European Ferries, which has agreed to put up between 35 and 60 per cent of the capital but Mr. Benson would like the public to subscribe as much as possible. The offer is not underwritten so unless the full amount is met the whole financing scheme will have to be abandoned.

The Isle of Man company producing the machine, Thermo-Skyships Limited, is going ahead with the recruitment of technical and design staff in order to have a prototype flying by 1981. Tests have been carried out and Major at 157,9p (161.4p).

chairman and managing director, says routes are already being

St. Andrew Trust ahead

PROFITS OF St. Andrew Trust improved from £482.608 to £304,957 for the first six months Tax takes £182.213

compared with £183,634. Earnings per 25p share are up from 2.5p to 2.71p and the interim dividend is raised to 2.25p (2p) on \$968,972 taxable revenue. Net asset value, after deducting prior charges at par, is shown

BIDS AND DEALS

Finlas forecasts £675,000

Frank Sanderson is making a vertible cumulative redeemable and unit trust group based in £2.57m bid on behalf of his preference shares of Renwick the City. private company. Chailey Group amounting to £677,490 By arrangement with the Securities, is forecasting profits nominal have been placed with Tyndall Group, Mr. Doughty is £675,000 for the year to compared £415,000 for the 18 months to last

The forecast is hedged about with a number of conditions not least the continuing ability of the building societies to meet demand for mortgages. Coopers and Lybrand, Finlas' accountants. also underline the difficulty of forecasting housing sales in their accompanying fetter.

Shares were placed at 156p, compared with an issue price of par in September, 1977. At the time of the investments, both accelerating Renwicks recovery from loss-making period in 1975 and 1976. Because this has been achieved both parties see ECI's role as having finished.

DOUGHTY PLANS

RENWICK GROUP

Equity Capital for Industry recently resigned from the says arrangements have been. Typidall Group and London Wall 100,000 share completed whereby whole of Group of companies, intends to now 212,610.

By arrangement with the Management which operates portfolio management services institutional and

London Wall Money Management, which will be part of Mr. Doughty's new group of com-panies, will change its name. It has some £30m under manage-

Elswick Hopper — J. R. Williams, director, has sold

investors.

SHARE STAKES

100,000 shares. Beneficial holding

B.ELLIOT7

"It is with It is with great pleasure...

	1979	1978
External turnover	£92.5m	£69.6m
Profit before tax	£9.4m	£5.6m
Profit after tax and minorities	£6.5m	£4.0m
Earnings per share	44.96p	28.83p
Dividend per share	10.00p	5.33p
•		

that I again report record results. In the year to 31st March 1979 sales rose by 33% to £92 million and pre-tax profit by 69% to £9.4 million. Orders booked during the year exceeded £100 million for the first time. These excellent results have been achieved in improved trading conditions in the machine tool industry worldwide and increased earnings have come from all our main markets. The rate of replacement of conventional machine tools with the more efficient and labour-saving numerically controlled machines should continue to increase even if world demand for engineering products shows little growth. The Group is particularly well placed to benefit from this increasing business.

> Mark Russell. Chairman and Chief Executive



Copies of the Report and Accounts for the year ended 31st March 1979 can be obtained from the Secretary, B. Elliott & Company Limited, BEC House, Victoria Road, London NW106NY. Telephane 01-965 4050.

Leaderflush **Holdings** rises to

(Holdings), flush door manufacturer, rose from £120,237 to £136,693 in 1978, on turnover marginally ahead at £1.65m; against £1.61m.

the bad weather. After tax of £10.253 (£3,400), stated earnings per 10p share are up from 6.17p to 6.89p. The net final dividend of 0.525p lifts the total to 1.0275p, compared with last year's single payment of 0.33p. There is an extraordinary credit of £15,000 (225.750)

T. Whites well ahead

Sales of Timothy Whites, subleaving a net profit of £3.28m

FT Share Information Service:

The following securities have been added to the Share Information Service appearing in the Financial Times: ACM (Section: Mines-Austra-

lian); Chamberlin and Hill (Engineer-

Deltight Industries (Motors-Components); New Court Natural Resources

(Oils): Petrolane (Overseas - New

Security Pacific Corporation (Overseas—New York): West Coast Holdings (Mines—

Mid year rise for Corn Exchange

Revenue of Corn Exchange Co for the half year ended June 30, 1979 was higher at £305.583 against £183.529 subject to tax of £107.000 compared with

Total income for the period was £289,007 (£268,718). Pre-tax revenue for the whole As already known the interim

dividend is increased to 2.5p payment to be a similar amount -last year's final was 1.13135p.

SIME DARBY LONDON

More than 90 per cent of Sime Darby London convertible preferred ordinary shares have been converted. The balance will be compulsorily converted.

Pre-tax profits of Leaderflush Its general intention of hiving of the more profitable parts of the National Enterprise Board's of strategic problems which have provided the background

The directors say trading in the current half has been hit by the lorry drivers dispute and

which prvides two of the most obvious candidates for sale, Computers Limited, the prob-lems are particularly intricate. They include the growing threat of foreign competition, the whirligig pace of new tech-

at £4.71m

sidiary of Boots Company, rose from £27.91m to £32.2m for the year ended March 31, 1979, and taxable profits came well ahead at £4.71m, against £2.67m.

Tax for the period took £1.43m, compared with a restated £1.05m.

Straightforward With pre-tax profits of £9.9m on sales of £192m in the last

financial year, and a healthy Ferranti looks a straightforward proposition for return to the private sector under a Conservative Govern-The task of the state, it can

discovering that it is not as

owned companies back to the

In the electronics sector,

and International

Government-subsidised:

requiring

series of different strategies for supporting and rationalising the

by no means easy to predict.

be argued, is over. The Government's rescue operation in 1975 has saved the company from

Since then its sales have increased by 122 per cent and trading profits have increased ninefold. Although the last results showed a slowing in the overall rate of growth, the main electronics companies increased profits by an impressive 60 per

The troublesome transformer business is still making losses. But it has been brought under control and looks now as if it could be closed without too severe an upheaval.

It employs only 350 people, compared with over 1,000 four Altogether. therefore,

Ferranti looks as if it should be reasonably attractive to private capital, if the NEB should decide to sell its 50 per cent stake, valued at about £40m. But first the Government and

the NEB must decide how a sale should be made, which re-quires precise thinking about the motive for selling. If the main object is to raise ? money to help reduce the gen

cent stake could be sold to the A company bidding for control of such a high technology company, with good military contracts, would doubtless pay

premium for the shares and realise a handsome profit for the state. Racal,

No easy task to go private

BY MAX WILKINSON

is military radio and communica- to put their money on such ment and by some people in the tions company, would almost speculative dark horses as NEB. easy as it may have first certainly make a bid as might INMOS, the NEB's semi-appeared to sell thriving State Philips and several American conductor venture, or NEXOS multinationals. its. new Ministers are therefore con- company.

fronted with whether to let an important supplier of defence equipment fall into the control dropped overboard with a miniportfolio has run into a thicket of another, possibly foreign mum of ceremony.

The question of how much for tough infighting between Ministers, and particularly the asked to self a portion of its the companies, the Department of Industry and the NEB. Prime Minister, will allow the stake in Ferranti, but retain a pure theory of market blocking share of, say, 20 per capitalism to be diluted by pure theory of market blocking share of, say, 20 per the outstandingly successful capitalism to be diluted by cent. This is the cautious Racal wants to buy Ferranti a industrial and strategic legic cent. industrial and strategic issues is still being vigorously debated in the Department of Industry. reasons by the Ferranti manage-

Different view

Ferranti's management would almost certainly resist a plant to sell it to the highest hidder, development funds; and a but shareholders, including the Ferranti family, which holds 20 per cent, might take a different

The second option now being Into these tangled forces the discussed would be to place the Government has interwoven the shares on the market in such desire to increase the vigour a way that they would be distributed widely without any influence of market capitalism, and the results are one organisation haveing the controlling stake. One of the central uncer-

This would probably mean tainties is the fate of Ferranti. the NEB's shares would realise less than if they were sold as a block. It might also result in largest of the profitable com-panies controlled by the NEB. resforing to the Ferranti brothers a large measure of in-fluence, if not control over

their family firm. Whether this would be desirable in view of the recent history of success under new management is another delicate issue which Ministers can scarcely avoid.

A third option would be to hump the Ferranti holding together with the 24.4 per cent stake in International Com-puters and the other NEB electronics interests in a new "high technology" holding company, whose shares could be floated on the open market.

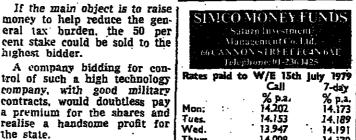
This idea, put forward by Sir Leslie Murphy, the NEB chairman, has attracted a certain amount of derision within the Department of Industry and out-

Expertise

The Department's objection is that the NEB's companies are too diverse to make sense as a unit, and that a holding com-pany would have neither the management structure nor the expertise to weld them together in any useful way.

The objection from City analysts is that investors attracted by Ferranti might be unwilling to take a simultaneous gamble on ICL or vice versa.

And very few institutions, it is said, will at the same time wish



14.008 fast-growing Fri./Sun.

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Issues of:

£1,366,918 74 per cent. First Mortgage Debenture Stock 1986/91 £5,000,000 101 per cent. First Mortgage Debenture Stock 1997/2002

The above-mentioned Debenture Stocks of Lonrho Limited have been admitted to the Official List by the Council of The Stock Exchange.

Full particulars of such Debenture Stocks of Lonrho Limited are available in the Extel Statistical Services and may be obtained during usual business hours up to and including 30 July 1979 from

Keyser Ulimann Limited, 25 Milk Street, London, EC2V 8JE

Joseph Sebag & Co., Backlersbury House, 3 Queen Victoria Street, London, EC4N 8DX

16 July 1979

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WARNER ESTATE HOLDINGS LIMITED

(Incorporated in England under the Companies Act 1948) 1,004,280 103 per cent. Cumulative Preference Shares of £1 each

The Council of The Stock Exchange has admitted the abovementioned Preference shares to the Official List Particulars of the rights attaching to them are available in the Extel Statistical Service and copies of the statistical card may be obtained during business hours on any weekday (Saturdays and public holidays excepted) up to and induding 31st July, 1979,

> Laing & Cruickshank, The Stock Exchange, London EC2N 1HA

. For these reasons, Sir Leslie's plan will almost certainly be

office equipment

There remains a final possibility, that the NEB will be policy, favoured for obvious

Yet caution may not prevail The Government's determination to fan the fires of private capitalism has also stirred a long-smouldering desire in th Department of Industry to we the electronics industry into larger, more powerful units.

Conservative arguments for selfing State holdings have fallen unexpectedly into step with interventionist ideas for rationalisation. If, for example number of influential voices will

TENDERS MUST BE LODGED NOT LATER THAN 10.00 A.M. ON THURSDAY, 19TH JULY 1979 AT THE BANK OF ENGLAND, NEW 1858 WATLING STREET, LONDON, ECHM 9AA OR NOT LATER THAN 230.P M WEDNESDAY, 18th JULY 1978 AT ANY OF THE BRANCHES OF TH BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK ENGLAND. TENDERS MUST BE IN SEALED ENVELOPES MARKET ENGLAND.

ISSUE BY TENDER PRICE £1,000,000,000

per cent EXCHEQUER STOCK 1984

MINIMUM TENDER PRICE £77.00 PER CENT.

PAYABLE IN FULL WITH TENDER INTEREST PAYABLE HALF-YEARLY ON 19th JUNE & 19th DECEMBE

£100—£2,000 £2,000—£5,000 £5,000—£20,000 £20,000—£100,000

Issue Department. If oversubscribed, all allotments will be made at the foreign price at which any tonder is accepted (the allotment price), and tenders of prices above the ellotment price will be ellotted in full.

Latters of allotment in respect of Stock allotted will be despetched by past at the risk of the tenders. No ellotment will be nade for a less amount there is no stock in the event of pertial allotment, or of tenders at prices above the allotment price, the excess amount paid will be "refunded by Charlet despetched by past at the risk of the tenders; if no allotment is made the amount paid with tender will be returned likewise. Letters of allotment may be apilt into denominations of multiples of 2000-on written request received by the Bank of England, New Issues, Warling Street. London, ECAM SAA, or by any of the Branches of the Bank of England, our any date not later than 14th August 1979. Such requests must be signed and must be accompanied by the letters of allotment. Letters of allotment, accompanied by a complete registration form, may be lodged for registration fulfil.

BANK OF ENGLAND LONDON 13th July 1979.

THIS FORM MAY BE USED

ISSUE BY TENDER OF £1,000,000,000 3 per cent Exchequer Stock, 1984

MINIMUM TENDER PRICE £77.00 PER CENT TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND ... I/We tender in accordance with the terms of the prospectus data

AMOUNT OF STOCK

FIRST NAME(S) IN FULL

year 7 Final 1.554

Automotive
Products...Aug. 8 Int. 0.75
*BICCSept. 4 Int. 2.5

Aluminium...Aug. 16 Int. 29.85
British
Dradging...July 10 Final nll
Carrington
Viyella...Aug. 9 Int. 0.67

Disons July 19 Final 4.684:
Photographe...Aug. 2 Final 1.51.
Photographe...July 19 Final 2.255
EvodeAug. 17 Int. 0.3629
Fitch Lovell ...July 28 Final 2.812
FodensJuly 19 Final 3.25
General

General
Accident ...Aug. 9 Int. 4.125
GestetnerJuly 18 Int. 2.125
GlynwedAug. 9 Int. 2.45
Great
Univ. Strs...July 20 Finel 4.64

"Heron Motor ...July 19 Finel 3.229
"Heron Motor ...July 17 Finel 1.32
"Hogg
Robinson...July 17 Finel 2.58
HooverAug. 3 Int. 5.61

-Heslamere

cisys Bk. ...July 28 Int. 8.05

For the convenience of readers the dates when some of the

ex Service ...Aug. 17 Int. 1.6 Lloyds Bank ...July 20 Int. 4.625 Magnet and Southerns...July 17 Finel 5.432

Smith and
Nephew...Aug, 15
Staffex Intl. ...July 28
StenhouseAug, 23
Stock
Conversion...July 26
Sunity (B.) ...Aug, 8
Taylor
Woodrow...July 25
Int. 2.01

Transport
Developmt Aug. 17 Int. 1.25
Unigate July 18 Final 2.105

Discount...July 18 Int. 8.375 Discount. July 18 Int. 8,379
Utd. Dominions
Trust...Aug. 16 Final nil
VantoraAug. 3 Ict. 1,9855
VasperJuly 26
Ward and

Goldstone...July 21 Final 3.572

* Board meetings intimated. † Rights Issue since made. † Tax free. § Scrip issue since made from reserves. † Forecast.

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

Short-term issue plan by National Swiss National Bank

MONEY MARKET paper worth not be subject to Federal Turnsome Swfr-200m is to be usued over Tax nor will the 35 per for the first time by the Swiss cant withholding tax be levied over Tax nor will the 35 per for the first time by the Swiss cant withholding tax be levied over Tax with policy to a contract of the swisch will put be obtainable by ing Tax will be cartificates, which will them so be expressed as percentages severally against name will be established in the neminal issue sum and to be of at least Swfr 500,000 recorded in a special money market register by the national bank.

The short fear certificates will be issued only by helialf of the Conon a discount bank. They will federation Following the first

certificates.

the Monetary Authority would also be able to issue similar paper at a later date.

Professor Dr. Leo Schuermann, vice president of the National Bank, has already said that it is forces on that will be the subject to that it is foreseen that public authorities, commercial banks and in due course all first-class borrowers might subsequently be able to issue money market

pasing last week of the revised National Bank Law, however,

The issue prospectus for the float is to appear in today's edition of the Swiss Official Gazette.

AMP sees second quarter rise

HARRISBURG—The U.S. earlier between \$3 and \$3.30 a share electric terminals manufac. The company's previous twier AMP, expects to report highest quarterly bales were carnings for its second quarter the \$232 lm in this year's first ended lime 30. of about \$30m quarter when net was a record or \$2,67 a share on sales of \$2,67 a share on sales of \$30.1m.

The company's previous on sales of \$965m to \$985m. In 1978, the company earned \$2,67 a share on sales of \$30.1m.

Sales and earnings will probably show the usual mild reach new higher in part to higher \$375.9m.

The company's previous on sales of \$361.1m.

Sales and earnings will probably show the usual mild reach new higher in part to higher \$375.9m.

Sales Second quarter sales For the entire year AMP said climbed to a record \$251m, up it does not find "unreasonable" arm the coming months."

27 per cent from \$198.1m a year estimates that it will earn AP-DJ

Bank of China

to open branch

in New York

NEW YORK - Mr. Zhang

Jingfu, the Chinese Foreign

Minister, said preparations are

being made to open a Bank of

Mr. Zhang said that China is esteking to expand trade with the U.S. and other nations. He

said China has already estab-lished contacts with 20 IIS

wate property claims:

≈details.∹

Overnite moves ahead

RICHMOND—The teamsters per cent to an estimated \$5.5m and independent trucking or \$1.70 a share from the year strikes this spring indirection of the per cent to an estimated \$5.5m or \$1.70 a share from the year or \$1.18 a share, Mr. Roy S. Cayton, executive vice president said. Revenue rose 21 per cent to about \$61m from \$1.70 a share from the year or \$1.18 a share, Mr. Roy S. Cayton, executive vice president said. Revenue rose 21 per cent to about \$61m from \$1.70 and \$1. strikes brought extra business and record revenue and carn-ings in the spring quarter, the China branch here. He gave no The opening of a Bank of China office in the U.S. had been delayed pending agree heart on the sattlement of pricompany said, Overnite's net income for \$114m. the second quarter rese by 46 AP-DJ

Scientex seeks German funding

banks, and expects to expand tures to be distributed by per cent and be convertible into such relationships.

Standard Capital 2000 of Scientex stock at \$5 a share.

Trading advance

ings of 23.7 cents, compared with 19 cents, the interim divi-On trading prospects, the directors estimate that last year's second-half earnings improvement has been maintained and that total dividends this

Alberta Gas opens tender

CALGARY—Alberta Gas Trunk Line will begin the cash tender offer to purchase common shares of Husky Oil for \$48 per common share and Series E stock purchase warrants at \$48 per share, less C\$21 per warrant,

The company said the offer satisfies obligations from agreements made in May kith Mr. Glenn Nielson, former chairman of the Board of Husky. On June 19, Alberta Gas Trunk purchased a total of 2m Husky common shares at a price of U.S.\$48 per

The company said Husky has 11m shares and 236,860 Series E stock purchase warrants outstanding. Alberta Gas said it already owns 68 per cent of Husky's common shares.

LOS ANGELIOS — Scientex The bonds will not be sold in Corporation has arranged for the U.S. They will have a five for the offer in Canada are \$2m of its convertible deben-year term, bear interest at 10 Dominion Securities and Pit-It said the dealer managers for the offer in Canada are

shows sharp

By Jim Jones in Johannesburg

field Mackay Ross and in the U.S. First Boston Corporation.

July 13 | July 12

| Bullion (fine ounce) | #2874_2881_252901_28211_ | #2193.5-122.7 | #2191_25291_ | #22934_2901_252901_28211_ | #2192_5180_5 | #213.6-138.4 | | \$288.50 | #229.75 | #2129.516 | #2130.148 |

That lifts net income for the first half by 39 per cent to about \$8.5m or \$2.60 a share, on revenue 20 per cent up to about

NATIONAL TRADING, the South African manufacturer of South African manufacturer of pipes and electrical transformers and distributor of engineering equipment has reported a 55 per cent pre-tax profit improvement to R2.15m (\$2.5m) for the six months to June 30, from R1.39m in the same period of the previous year. This compares with pre-tax earnings of R3.61m for the whole of 1978.

On first-half per share earn-On first-half per share earn-

dend has been lifted to 6 cents, from 4 cents in order, the management says, to reduce the discrepancy between the interim and final payments. In 1978, from second-half earnings per share of 21.9 cents a final dividend of 10 cents was declared. year should not be less than

BASE LENDING RATES

14 % ■ Hambros Bank Amro Bank 14 %
American Express Bk. 14 %
A P Bank Ltd 14 % Hongkong & Shanghai 14 % Industrial Bk. of Scot. 141% Keyser Ullmann 14 Knowsley & Co. Ltd. ... 151% Lloyds Bank 14 %
London Mercantile 14 %
Edward Manson & Co. 15 %
Midland Bank 14 %
Samuel Montagu 14 % Bank of Cyprus 14 % Bank of N.S.W. 14 %

Brown Shipley 14 % Canada Perm't Trust... 14 % Rossminster
Ryl. Bk. Canada (Ldn.) 14 %
Schlesinger Limited ... 14 %
E. S. Schwab 15 %
Security Trust Co. Ltd. 15 %
Shenley Trust 16 %
Standard Chartered ... 14 % Cayzer Ltd. 14 Cedar Holdings 14 % Charterhouse Japhet... 14 %

Charterhouse Japhet 14 %
Choulartons 14 %
Choulartons 14 %
Consolidated Credits 14 %
Cooperative Bank *14 %
Corinthian Secs. 14 %
Credit Lyonnais 14 %
The Cyprus Popular Bk. 14 %
Duncan Lawrie 14 %
English Transcont 14 %
English Transcont 14 %
First Nat. Fin. Corp. 15 %
First Nat. Secs. Ltd. 15 %
Antony Gibbs 14 %
Greyhound Guaranty 14 %
Grindlays Bank 114 %
Grindlays Bank 114 %
Grindlays Bank 114 %
Guinness Mahon 14 %
Guinness Mahon 14 %
Gemand deposits on sums of £10,000 and under £11 %.
Call deposits over £2,000 £12%.
Call deposits over £1,000 £12%.
Call deposits over £2,000 £12%.

RECENT ISSUES

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110	F.P.	5/7		114	109	inti. Timber	100	_;;
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	F.P.		910			McCorquodale	107	
B 5	F.P.	_ I	_	121	101.3	P.M.A. Holdings	119	
2 10 -	NII !	22/6	20/7	60pm	40pm	Peterson Tennant	40pm	
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60	F.P.	29/6	20/7			Scoteros		0/4-04
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Renunciation date usually last day for dealing free of stamp duty. D Figures based on prospectus estimate. S Assumed dividend and yield, a Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T figures assumed. I Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. S Placing price to public. pt Pence unless otherwise indicated. I I saued by tender. I Officred to holders of ordinary shares as a "rights." ** issued by way of capitalisation. SS Reintroduced. Ti issued in connection with reorganisation, merger or takeover. I introduction. I issued to former preference holders. A Allotment latters (or fully-paid). • Provisional or partly-paid allotment latters. ** With warrants. †† Uniting accurity. ‡‡ Issued as units comprising 2 income shares and 10 Capital shares at 125p per unit.

INSURANCE BASE RATES

† Vanbrugh Guaranteed	111%
† Property Growth	111%
† Address shown under Insurance and Property Bond To	able.

ALLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD. 45 Cornhill, London EC3V 3PB. Tel: 01-623 6314. Index Guide as at July 12, 1979 Capital Fixed Interest Portfolio 115.96 Income Fixed Interest Portfolio 105.00

I.G. Index Limited 01-351 3466 Three month Copper 815-822 29 Lamont Road, London SW10 0HS.

1. Tax-free trading on commodity futures. 2. The commodity futures market for the small investor.

CORAL INDEX: Close 461-466

CURRENCIES, MONEY and GOLD

Dollar on edge

the suddent postponement of the President's original broadcast, the foreign exchange market has been waiting patiently. But as time wore on so people's patience wore out and the dollar suffered accordingly. There have of course been other. considerations just recently that have contributed to the dollar's softish undertone, but the press-

CURRENCY BATES

i				European	
ì	July:15	rate	Drawing	Currency	Enropean Monetary System
:			Highta	Unit	response from the Nether
•			0.583692		was only an hour or two
	Starling	Oi	1.39813	1:37857	coming, when the Dutch au
ì	Canadian S.	111	1.60856	1.59845	
i	Avateta Sob	- 85- i	17.9665	INDXII.	ties announced a rise of
í	Belgian F	. 5 .	38.1358	40.4885	bank rate to 8 per cent
ì	Belgian F	9 7	8. 834 65	7.25747	was the second rise in little
1	D mark	5: ;	8.57.79U	\$-03410 (_a week and while Dr. C
	Builder	- 5 . [X DISAS	2.781X0	Emminger, the Bunder
۹	French Fr.	- 22	* COO TO	1176 57	President, stressed that the
4	MA CONTRACTOR		262.215	200 781	Particular and an extension of the
,	Krwyn K	. 4	6.58606	6.99554	in German rates marely refl
•	Shanish Pec.	1 8 1	.B3.Y516	91.3025	a catching up process, it is
	Swedistr Kr	7. 1	5.51056	5.85505	
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					4.77 <u>6.</u>

ं क्रुं

increase the discount and lombard rates to 5 per cent and f per cent respectively is likely to have far reaching implica-tions. Differentials between U.S. and European interest rates have narrowed quite considerably over the past month and have provided the U.S. administration with more food for thought, although at the moment it would seem they are suffering a nasty

Higher German interest rates will also leave their mark on the European Monetary System. A response from the Netherlands response from the Netherlands was only an hour or two forth coming, when the Dutch authorities announced a rise of their bank rate to 8 per cent. This was the second rise in little over a week, and while Dr. Otmar Emminger, the Bundesbank President, stressed that the rise in German rates merely reflected a catching an process, it is also a catching up process, it is also

The speech this weekend by my demand for some sort of contributing quite handsomely President Carter probably holds forceful national energy policy towards creating a vicious Morning not only the key that could has been appearment in the minds circle.

Anternoon fixing—

in is also of vital. Thursday's decision by the For the time being at least, importance to the dollar. Since West German authorities to there was no significant reaction. Krugerrar the suddent postnonement of the

within the European Monetary System France increased its France increased its domes money rates and Treasury bill rates, but this was as much a reflection of the effect of higher oil prices and inflation trends at anything else. Elsewhere demand for sterling increased during the latter part of the week, as the possibility of an early cut in MLR receded.

OTHER MARKETS

July 13				£ Note Rates
Argentina Peso	2959-2979	1325-1335	Austria	29.0-30,0
Attatralia Dollar	<u> </u>	0.8845-0.8860	Selgium	68.0-69.0
Brazil Cruzeiro	57,58-58.58	25.80.26.25	Danmark	11.60-11.75
Finland Markka	8,55-8.70	3.8575-3.8595	France	9.35.9.50
Grack Drachma.	7.4		Garmany.	4.00-4.10
Hong Kong Dollar	11.40-11.42	5.1390-5.1410	italy	1,600-1,825
Ran Ral	1109.70 106.66	72-75	Jacan	480.490
Kuwait. Dipar (KD	0.607-0.617	0.2760-0.2761	Netherlands	4.40-4.50
- Luxembourg Frc.	65.35 65.45	29.33-29.35	Norway	11.15-11.50
Malaysia Dollar	4.7898-4.7990	2. 1625.2.1635 ⁽	Portugal	102-106
New Zepland Dir.	2.1830-2.1890	0.9795.0.9820	Snain	145-148
estrum etab, myar	7.40 7.60	6.8580.3.8596 i	Switzerland	3.60-3.70
Singapore Doller.	4.7860-4.7980	2_1625_2_16 35	United States	9.25-2.24
Sth. African Rand	1.8745-1.8785	0.8410-0.8430	Yugoslavia	41.44

July 18	Day's	Close	One month	p.a.	Three months	P
U.S.	2.2160-2.2300	2,2290.2,2300	0.65-0.55c pm	3.23	1.90-1,80 pm	
Cinada	2.6740-2 5910	2.5885-2.5905	0.75-0.65c pm	3.24	2.00-1.50 pm	3
Nethind.	4.48-4.51	4,453-4,475	21-13-c.pm	5.03	54-44 pm	Ĭ,
Seigtum:	46.10-85.60.	65.35.65.45	10c pm-per	0.51	25-75 pm	Ö.
Danmark	11.67-11.74	11.72 - 11.73	12-20re dis	0.54	1-3 dia	~ă
reland"	1.0735-1.0810	1,0740-1,0750	30-40p dis		87-97 dis	-š
V. Ger.	4.05-4.09	4,05-4.07-	34-24of pm		84-74pt pm	7
	108.20-109.00	108.65-108.95	30-90c dis		80-180 dis	ijέ
osia.	147.00-147.75	147.60-147.70	100-130c dis		270-370 dis	-4
taly .	1,828-1,837-	4 93/0_ 1 93E7	27-47 lire dis		7-10 dis	-7
lorway	11.24-11.30	11,274-11,283			13%-11% pm	-4
TOTAL CO.	9 45-9.52	9.48-9.49			474-374 pm	ĩ.
	8.40-9.47	9.45 - 9.46 -	23-14c pm	2.04	64-44 pm	ż
2048	482-487	484-485	24-3018 PUI	1.00	9.85-10.25 pm	
distrie -		29.92-29.97	3.95-4.25y pm		55-45 pm	
			22-12gro om 47-37-c pm		12 ¹ 2-11 ¹ 3 pm	12 12

EXCHANGE CROSS RATES

July 23	Poundatorling	: U.S. Dollar	Deutschein *	Japan'se Yen	FrenchFranc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Starting	0.449	2 229 1.	4.068 1.895	484,5 217.4	9,485 9,255	1.680 1.661	4.470 2.005	1935. 823.2	2.590 1.152	65.40 29.34
Deutscheutark	0.245	0.548	1.	119.I	2.352	0.905	1,099	451.1	0.637	16.08
Japanese Yen 1,500	2.064	4.501	8.895	1000.	19.58	7.595	9.385	3787.	8.345	135.0
French Frenc 18	1.054	3.350	4.288	510.8	2.577	3,880	4,713	1985.	2.73D	68.95
Swiss Franc	0.278	0.806	1.105	151.7		1.	1,215	498.6	0.704	17.77
Dolok Gallger	8.924	0.499	0.918-	106.4	3 123	0.893	2.436	470.5	0.579	14.63
Sallen Lira 1,906	0.545	1.815	2.217	264.0	5 169	2.005		1000.	1.411	35.64
Canadian Dollar	0.385 1.629	0.861 3,408	1-571 6.219	187.1 140.8	3.663 14.60	1.421 5.627	1.725 6.835	709.6 2806.	3.959	25,26 100.

LONDON MONEY RATES

July 15 Gestificate 1979 of daposit	interbank	Local (Local Aut Authority negotiable deposits bonds	e House	Company Deposits	deposit	Tredstily Bills o	Bank Bills &	Trade Bills ø
Overnight	15%-14% 15%-14% 14.14% 15%-14% 15%-14% 15%-15% 12%-15	15% 14%-14% 15-15% 12%-18% 15-15% 12%-18%	1434 1438 1334 1314	1480	183, 1819 183, 1819 1319 1811 1334 1359	15 <u>4</u> -15 <u>4</u> 134-134	1416 1446 1336 1336 1236	161 ₂ 161 ₂ 143 ₄ 141 ₈

the local suchody and finance houses seven days notice others seven days fixed. Long-term local authority mortgage facts to be such the past of the local such or mortgage for continue years 12, 12, per cent. A Bank bill rates in the are buying rates for prime paper. Suring rate for four-months bank bills 13, per cent four-months trade bills 14, per cent.

Approximate selling cate for one-month. Reserve bills 13 per cent two-months 12, per cent three-months 13, per cent and 13 per cent. Approximate selling rates for one-month bank bills 14 per cent two-month 13, 13, 13, per cent and 14, per cent.

Finance blocks bills fine finance houses Association 13 per cent from July 1, 1379. Clearing Bank Rates for small sums at savan days notice 11, 12 per cent.

Translate Bills: Average tender rates in discount 13, 3451 per cent.

\$287.45 \$29.75 .(£129.558) (£130.323) Gold Coins, domestically (2135) - 134) (2134-135) (2135) - 134) (2134-135) New | \$741-7612 | \$751-7714 \$000 | \$751-7714 | \$751-7714 \$05-97 | \$95-97 | \$951-9712 Sovereigns (£421-4354) | (£421-4354) Gold Coins, Internationally Gold Coins, Internationally Krugerrand. \$2961_2.2981_2.3299-301 (£1331.134]) (£134.135) Naw | \$741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$2741_2.761_2 | \$

THE POHNO SPOT AND FORWARD

July 18	Day's spread	Closs	One month		Three	P
U.S.	2.2160-2.2300	2,2290-2,2300	0.65-0.55c pm		1.90-1.80 pm	
Canada	2.5740-2.5910	2,5885-2,5905	0.75-0.65c pm	3.24	2.00-1.90 pm	3.
	4.46-4.51	4.45 - 4.47	24-14c.pm	5.03	54-43s pm	4.
Selfum).	每,10-65,60	. 65.35.65.45	70c pm-per		25-75 pm	0.
nenmark	11.67-11.74	11.72 - 11.73			1-3 dis	~ Q.
· Irahana	1.0735-1.0810	7,0740-7.0750	30-40p dis		87-97 dis	-3,
	4.05-4.09	4,064-4.074	34-24of pm		84-74pt pm	7.
Spain .	108.20-109.00	108.55-108.95	30-90c dis		80-180 dis	− 6.
	147,00-147,75 1,828-1,837	147.60-147.70	100-130c dis		270-370 dis	-4.
Norway	71.24-17.30	1,8347-1,8357	24 47 lire dis		7-10 dis	-1
France	9.45-9.52	11,274-11,284 9,48-9,49		- 3.89	13%-11% pm	4.
Sweden	9.40-9.47	0.40-0.40 0.452 0.463	23-13c pm		472-374 pm 674-472 pm	2
Japan		9.45-2.9.46-2 484-485	.3.95-4.25y pm	70.76	9.95-10.25 pm	
Austria		29.82-29.97	22-12gre om		55-45 pm	. 6
			:472-372c pm	13.04	12'y-11's pm	12
. Belg	ian tens is for	convenible fo	mes. Financial	franc 68.	.65-68.75¢ pm	. :

N	EW YORK
: 5	d Funds 10.312
- T	easury Bills (25-week) 9.25
• • •	
G	ERMANY
Ö	scount Rate
٠ŏ	ne month 6.225
T)	199 months admon een
S	x months 7.35
	RANCE
	servint Rate

MONEY RATES

EIIDADANNC PULLADAIAN

The Association of International Bond Dealers Quota-tions and Yields appears monthly in the Financial

It will be published in an eight-page format on the following dates in the remainder of 1979.

> August 13 September 10 November 12 December 10

There is a limited amount of advertising space available each month; if your company is interested in taking advantage of this offer please

The Financial Advertisement Department on 01-248 8000 Ext. 424 or 7008

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Scapa Group

Extracts from the Statement by the Chairman, Mr. T. Dickson Walker.

The past year has been one of both. consolidation and progress.

The policy has been continued of investment in plant (£5.3m in 1978/79) and we are now experiencing some of the benefit of the substantial capital expenditure made in recent times.

Trading activity was maintained basically at a high level although increased overseas earnings have produced less in terms of sterling due to the strength of the pound.

Both in the UK and in N. America there is confidence for the future and the Group is now better equipped and organised to make ground in the absence of directly adverse circumstances.

Results	1979	1978
	£'000	£'000
Sales	71,099	52,361
Profit before tax	8,791	7,137
Profit after tax	5,523	4,863
Dividends	1,666	1,224
Earnings per share	20.7p	22.7p
Dividends per		·

Scapa Group Limited Cartmell Road, Blackburn

BB22SZ.

Copies of the Report and Accounts containing the Chairman's Statement in full can be obtained from the Secretar

6.25p 5.44225p

Manufacturers of paper machine clothing and other specialised industrial textiles.

ALL OF THESE CERTIFICATES HAVING BEEN SOLD, THIS ANNOUNCEMENT APPEARS
AS A MATTER OF RECORD ONLY.



Bank of India

(LONDON BRANCH) \$20,000,000

FLOATING RATE CERTIFICATES OF **DEPOSIT DUE 1982.**

Managed by

CITICORP INTERNATIONAL GROUP

BANQUE BELGE LIMITED-SOCIETE GENERALE DE BANQUE S.A.

MIDLAND BANK LIMITED

FRAB-BANK INTERNATIONAL

PARIBAS ASIA LIMITED

JULY 1979

Delay and property damage repairs

BY OUR INSURANCE CORRESPONDENT

THOUGH it is the injury com- gate his loss. Dodd Properties pensation claim, which makes said that the same kind of rule news insurers and the courts should operate for property handle many liability claims for damage claims. But set against them many

The plaintiff's straitened financial circumstances, said the

judge, were not a factor mitigat-

able must be judged objectively

without taking into account such matters as impecuniosity or financial stringency, which in the words of Lord Wright in Liesboch case, are extrinsic.

There has always been much

Dodd Properties, might say that the time for reconsideration is

long overdue. In the personal

injury field the wrongdoer takes his victim as he finds him so that if the victim has an egg-

shell skull and is that much more seriously injured than the

next man the wrongdoer has to

pay accordingly. In property damage claims it is arguable that the victim's impecuniosity

is analogous to the eggshell skull - but the law as it stands

IN THE Institute of Actuaries

examinations held in overseas

centres, 21 candidates comple

ted all the examinations. Of these 12 were in Australia, three

is clearly against this view.

Actuaries

successes

damage to property. Buildings are often damaged legal decisions, admittedly from by vehicles or by natural occur-less inflationary times, which rences such as the incursion of established that where property reduces such as the incursion of established that where property is damaged by torthous act or conscious world, the property omission, the measure of compensation is to be assessed at the time of the occurrence of look to see who can be found to the time of the occurrence of look to see who can be found to the time of the occurrence of look to see who can be found to the time of the occurrence of look to see who can be found to the time of the occurrence of look to see who can be found to the time of the occurrence of look to see who can be found to the time of the occurrence of look to see who can be found to the time of the occurrence of look to see who can be found to the time of the occurrence of look to see who can be found to the time of the occurrence of look to see who can be found to the time of the occurrence of look to see who can be found to the time of the occurrence of look to see who can be found to the time of the occurrence of look to see who can be found to the time of the occurrence of look to see who can be found to the time of the occurrence of look to see who can be found to the time of the occurrence of look to see who can be found to the occurrence of look to see who can be found to the occurrence of look to see who can be found to the occurrence of look to see who can be found to the occurrence of look to see who can be found to the look to see who can be found to the look to see who can be found to the look to see who can be found to the look to see who can be found to the look to see who can be found to see who can be found to the look to see who can be found to see who can be seen to seen to see who can be seen to see who can be seen to see who can be seen to seen to see who can be seen have been legally at fault so such damage. Relaxation of this as to get him to shoulder the repair cost.

The is only to be made where damage is not discovered until later or where circumstances

Most property damage claims are such that it takes time for are settled quickly, but some drag on. Such a case was conthe repairs to be started. Mered a year ago by Mr. Justice Cantley in the Queens Bench Division—but such is the delay ing the general principle: indeed he adverted to the 45in getting legal decisions re-ported that the case of Dodd Properties (Kent) Limited v vear-old decision of the Lords on this aspect in the case of Liesboch & Edison, saying "the Conterbury Council and others only emerged in May in the All appropriate damages are the cost of repairs at the time when England Law Reports for the information of insurers and it was reasonable to begin re-pair: whether the time is reasontheir lawyers.

Inflation

Dodd Properties owned a building in Canterbury and in 1968, during the course of construction of a car park, the defendants caused damage to the building by pile driving. There has always been much to be said against the Liesboch to be said a was argument over the extent of the repairs and compensation. The dispute dragged on for 10 years, it was to some degree complicated by the fact that the plaintiffs were short of money sufficient to get the re-pairs done themselves, so that at the time of the trial the damage had not been repaired.

The plaintiffs argued that as they had been kept out of the money that they were entitled to they should receive compensation at 1978 prices to have the repairs carried out. As the judge commented, the effect of delay and inflation had been startling saying the cost of doing the work he judged necessary would have been £10.800 in 1968. In 1970 when the repairs could reasonably have been started the cost had risen to more than £11,000, but by the time of the frial in 1978, the cost had ached more than £30,000.

The plaintiffs said that in in- Canada and South Africa and jury compensation claims, the one in both Hong Kong and

Save and Prosper

Presper Group in 1973, will reagement for several years. turn to full time executive duties with Robert Fleming on September I, and will be resign-ing from the Board of Save and Prosper. Mr. P. J. Manser will be appointed an executive director of Save and Prosper on September 1, and will be responsible for investment management. For the last four

non-executive director of Robert Fleming. A new Save and Prosper sub-sidiary. Save and Prosper Investment Management, will be formed on September 1 to

L. R. Payne, Mr. C. R. Tracey and Times since 1976.

Mr. W. L. Banks, a director of Mr. A. W. V. Laurie, all of whom Robert Fleming Holdings who have been associated with Save was seconded to Save and Prosper's investment man-

Sir John Stewart-Clark and Mr. K. A. V. Mackrell have been appointed additional nonexecutive directors of COPE ALLMAN INTERNATIONAL Until his recent election as a member of the European Parliament representing East Sussex. years Mr. Manser has been of Pye of Cambridge Mr. managing director of Jardine Mackrell is trade relations co-feming and Company in Hong Kong Mr. Manser will remain a

Mr. J. P. Parkinson has been appointed a director of BAKER PERKINS LTD.

The FINANCIAL TIMES has appointed Mr. Richard Oliver as administer Save and Prosper's appointed Mr. Richard Oliver as investments. In addition to Mr. European advertisement manameter, the directors will be ger for World Business Weekly. Initially Mr. J. G. Architald, Mr. He has been with the Financial Times since 1976

This week in Parliament

TODAY COMMONS-Debate on the 1980 Preliminary Draft Community
Budget Education Bill, third
reading Remaining stages of
the European Assembly (Salaries and Pensions) Bill. LORDS—Motion on Peers expenses. Limitation Amendment Bill, committee stage. Companies Bill, report stage. Dealings with Witnesses Bill,

second reading. Motions to approve Intelsat (Immunities and Privileges) Order 1979. Oslo and Paris Commissioners Oslo and Paris Commissioners
(Immunities and Privileges
Order) 1979, Capital Transfer
Tax (Northera Ireland Consequential Amendment)
Order 1979, and Inheritance
(Provision for Family and
Dependants) (Northern
Ireland) Order 1979. Debate
on H.M. Police Inspectors. on H.M. Police Inspectors.

COMMONS—Debate on Opposition motion on reducing public services for those who need them most. The House will be asked to agree all outstanding Estimates and Supplementary Estimates. Motions on Northern Ireland Order on Pneumoconiosis etc (Workers' Compensation), on Inheritence (Provisions for Family Dependents), on Capital Transfer Tax (Cousequential Amendment) and on Tatooing of Minors, At 7 pm

opposed Private Bills.

LORDS—Law Reform (Misc.

Provisions) (Scotland) Bill. in New Zealand, two in both

tion). Order 1979, Lloyds (General Business) Regulations 1979. Hypnotism Bill, second reading. Debate on Dioxin.

WEDNESDAY COMMONS-Finance Bill, re-

maining stages. Motion on the Housing (Limitation and Rent Income Increases) (Scotland) Revocation Order. tords of the closure of "The Times." Debate on the closure of "The Times." Debate on the third report of the Law Commission on Family Property. Debate on baggage handling arrangements at Heathrow

THURSDAY

COMMONS—Debate on reintro-duction of the death penalty. Motions on the Social Security (Unemployment, Sickness and Invalidity Benefit) Amendment Regulations and on the Child Benefit and Social Security (Fixing and Adjustment of Rates) Amendment Regulations.

LORD—Charging Orders Bill committee. Education Bill. committee. Motions to Ministerial approve other Salaries Order, Shipbuilding (Redundancy Pay-ments Scheme (Great Britain) (Amendment) Order 1979.
Shipbuilding (Redundancy Payments Scheme) (N.I.)
(Amendment) Order 1979.
Firearms (Amendment) (N.I.) Order, 1979. Tatooing of Miners (N.I.) Order 1979,

Indices

NEW YORK -DOW JOXXX

				۱ ۱	١	11	79	3Ines C	urbite.
July 18	July 12	inly 11	July 10	9 July	100	High	Low	High	Low
248.96 187.55	26.83	95,78 248,94 TOE,08	259.54 108.29	251,88 251,88 107,78	95.92 249.54 196.78	85.87 (5/7) 251.58 12/7) 108.23 (10/7)	\$2.52 (\$/6) 255.78 (\$7/2) \$8.51	165,52	2/162)

ind. di	r. yield	12		.69	6.	72 · .	5.97	<u> </u>	6,78	
STANDARD	AND P	OOR5			. :	 •				
			Turbo	toby	Jaly	July	19	9	Since()	məli t'r
;?ndust'ls	116,15	115.55	114,66	T 15.49	116,98	114.77	715,69 (9/1)	(67,0) (27/2)	(11/1/17)	30/6/82
(Composite	102,52	102:89	103,64	184,29	104,47	103.52	104.67	56,76	125.85 (11/1/6)	1 CH.

	July 11	Palla g	June 27	Year ago (apprex
Ind. div. yield %	5.81	5,28	5.27	5.07
Ind. P/E Ratio	8.03	7,92	7.94	9.18
Lar. Gov. Bond Yield	8.86	8,74	8.75	8.82

NY SE ALL COMMON	<u> </u>				30.00	July 13	July 12 July 11
1 1	1,5	79	=	wee Tr	eded .	1.891	1,865 I.B76
July July July July	High	Law	- 10	19		900 -	472 565 977 887
58,17 58.38 58,86 59,1 6	69.82 (3/7)	65,81 (27/6)	UI N	rehang rw Hig sw Low	12	469	416 424 33 42 12 14
San Arthur	is 2.3	- * · · [1	973
MONTREAL	July 13	July 18	July 11	107	Ĥ	gh	Low
(Page 1)		P60 38	96X 2 0	287.76		(22/6)	219-19 (2/1)
industrial Combined	280.45 280.20	280.29	285,41	258,45	275.1	ō (29/6)	225,49 (2(1)
	1557 8	1500.7	1585.5	1588-2	-1518,	6 (25/6).	12(5.2 (2/1)
IORONIC Composite	1982.4					*******	90.75 (0.70)
JOHANKESBURG Gold Industrial	291,6 303,9	282.6 585.3		293.6 386.8	-308.4 - 350.0	(23/5) (23/5)	229.4 (17A) 270.5 (LI)
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July 🚉	- 191 191	19 - 19 16 LO	/V			3 io	
15 Vid				ein .	(4) ^L S	.62 82	
	.au :557	.05 , 010	اج ، مار		. 1 .	1	(E.A) (132)

Financial Times Monday

(81) 11.5 (16)81 (10) 11.3 (16) 11.3 75.4 76.2 76.4 (24/1) 551.82 553.92 662.90 78.57 78.67 80.01 (4/6) 455.15 435.35 482.97 445.15 435.35 482.97 FRIDAY'S ACTIVE STOCKS

indices and tess dates (all base values 100 except NYSE All Commonvalues 100 except NYSE All Common test NYSE 100 except N

EUROPF

EUROPE			TOKYO \$
AMSTERDAM	BRUSSELS/LUXEMBOURG	SPAIN V	Prices + or Div. (Y
July 13 Fis. — 2	July 13 Price + or Frankle.	Asiand 105 —	July 14 Yen — X 3
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prove that the plaintiff has failed to act reasonably to miti-	examinations and 27 became eligible for the Certificate in Finance and Investment.	of Provisions) (Second Amendment) Order 1979, Air Navigation (Noise Certifica-	the Queen during her visit to Zambia.	Semperit	GERMANY +	Granges (Free) 47.5 + 0.5 — Handelsbanken 505 — 12 18.1 6.0 Marabou 9 5.2	Acesita 0.90 0.14 8.65 Acesita 1.51 +0.020,117.38
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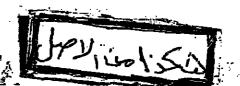
UBS

5,33

4.34 5.25 4.5

4.625

12.0



CURRENT INTERNATIONAL BOND ISSUES

71

44

1989

1991

ns. ^{es} Pleosment and Exchange Co

INTERNATIONAL BONDS

BY FRANCIS GHILES The dollar waits for Carter

THE SHARP rise in European investors to buy domestic interest rates just week notably. Delark paper that prices moved in Germany, convenged miner tip by 1 point across he board investors and dealers in the and the Bundenbuck had to European authorities would paper to satisfy the market's have to act sooner rather than apper to satisfy the market's have to push the US interest rates.

The waitsingsee attitude which investors have by and large adopted during the past less actively traded with prices moving up by an everage of 1 points on the ady German large adopted during the past less actively traded with prices moving up by an everage of 1 points on the ady German and interest rates would move the meaning in bonds would occur this week if the meanings in president Carter railed to steady the deliar.

extected energy speech Presi the dellar carter range to steady dent Carter, was planning to Atlanting Dellars. Tortign make early today. Activity was bonds ended the week on a thus at a year law edit in the strong nets many issues still dollar sector of the Eurobond showed minor losses four the market week. The rolls new issue

decision on Thursday to in the South African Electricity crease its discount and Lombard Power Commission, ESCOM rates with effect from last Fri.

The now-issues were sincoundary, a strong surge of buying oed in the dollar dector last of Detusche Mark denominated week institution for banks.

Statull of Worway, the third

anks. Statoil of Werway, the third So eager were non-German dollar convertible for Union

market was in Germany arranged in the section was a Following the Bundestank's DM2001 private placement for decision on Thursday to

domestic Bank of Switzerland and a \$25m Friday at around 98.35 yielding most regular borrowers in the ses moved convertible for Allegheny Air- 9.97 per cent which suggested Eurobond markets. Because its lines NV.

However the major talking point of the market was the successful introduction by the European Investment Bank of competitive bidding into the straight Eurobond market.
The EIB said last Friday that

it would use the tender system again. It had not yet conducted a full post mortem of the issue it had just completed and was thus not in a position to say whether it wished to see any change in the bidding methods introduced.

The winning bid for the \$100m issue, which bears an annual coupon of 9.70 per cent. was 98.06 to yield 10.016 to maturity. The winning bidders were diticorp International with \$50m, and Algemene Bank Nederland and Samuel Montagu with \$25m each. Most of the a bid of 98.013.

Bonds were being resold last

Central Bank Discount Rates

the winning banks were marking up the price of the bond by between 1 and 1 point before passing them on to a final investor. This is therefore the commission which the EIB was charged for floating the

Banks which had not bid or been unsuccessful guessed that the EIB had succeeded in saising funds more cheaply than if it had stuck to tradition and given a mandate to a bank to organise the bond issue: the exact amount saved by the EIB is impossible to assess however.

In its weekly telex, Hill Samuel commented that the attempt of the EIB to introduce competitive bidding to the Euro-bond market "appears to have been a qualified success, assuming that the successful banks have genuine client demand for unsuccessful bids were pitched the bonds that they have taken at the 27.50/75 level with a down." This echoed widespread

sp widely held in investment portfolios, a yield gap between EIB and other triple triple A credits has slowly emerged. The financial director of the EIB, M. Andre George has argued strongly that this is unjustified: he now seems to have succeeded in making his

What he has done he says he will do again and he could well be followed by others. If such competitive bidding becomes widespread in the Eurobond market, the formal structure of commissions normally paid by the borrowers to the issuing houses will be seriously under-mined.

However, M. George may not have achieved another of his stated aims which was to ensure that the small investor gets a better deal in the Euroboad market. It is not at all clear that much if any of this issue syndicate led by Orion Bank scepticism as to how much in that much if any of this issue coming close to winnin with vestor demand the three suc-ended up in the hands of cessful banks could count upon. private rather than institutional The EIB remains one of the investors.

BY DAVID MARSH

if the 1 per cent discount rate stays at its artificially low level for the time being. Switterland's inflation rate, measured by the annual rise in the consumer price index, went up to a practically unheard of 4.1 per cent in June, causing concern at the National Bank.

As a result, Switzerlandalthough probably only temporarily—has lost its mantle of the most price-stable country in the industrialised world to neighbouring Austria, whose latest inflation figures—for May—show a consumer price rise of only 3.1 per cent. The June figures for Germany and Japan were 3.9 and (provisionally) 3.7 per cent respectively.

European central bankers at the Basle session last week were making clear that the burst of anti-inflation activity on this side of the Atlantic is putting the onus on the U.S. to continue or perhaps even tighten its monezry policy, despite the prospect of recession. Whether these hopes will be fulfilled will perhaps be slightly clearer this Higher interest rates are also morning as the markets assess the message in President

U.S. BONDS

Borrowers
U.S. DOLLARS
TECANON Inc.
TICITY Investing Fin.

SUBS (Panama) Statoli (g'teed Norway) SAllegheny Airlin

18-razil **Parker-Hannilla

1 S. Africa)

BNDE

STERLING

l TSontrach

§Ricoh ‡Ricoh

SWISS FRANCS

D-MARKS

THECSC . Argentina ‡†Kay Capital

課題

BY DAVID LASCELLES

Waiting for guidance

DESPITE ALL the competing ward course. Expectations of a trels, which would have been at factors of international interest rate rises, another Fed open market committee meeting and further rises in the money supply, the U.S. credit markets spent most of last week focusing on only one thing: President Carter's forthcoming energy message.

As a result, trading was thin and prices changed little, although the general grift was downwards because of fears that Mr. Carter would fail to get to grips with the country's economic problems.

The week opened with opinions divided over what was likely to happen at the FOMC. With indications ... mounting every day that the economy has entered a recession, it seems unlikely that the Fed would tighten credit still further. Yet inflation and the money supply persist in their unrelenting up-

tightening increased on Thurs-day when Germany led several other countries into higher interest rates.

But by the end of the week Fed funds were still trading at around 10f per cent, unchanged from the level of the past few weeks. However, the market has not ruled out a rise in the discount rate this week (possibly as part of some energy package) to bolster the dollar. The rate is currently 91 per cent.

\$3.2bm) were in line with market expectations, and a further rise is likely this week.

The market is looking to Mr. Carter to come up with firm proposals to curb energy consumption and reduce inflation. However, the market in general views Mr. Carter as

effective way of curbing demand. And he continues to eschew mandatory controls against inflation. In fact, the closer the 1980 election year comes, the more likely he is to allow the budget deficit to expand to keep the economy going. Thus, the market is in

hearish mood, expecting inflation to persist well into next year, with higher interest rates distinct possibility. When the White House came out last week Last week's money supply with its latest economic report figures (MI up \$1.3bh, M2 up forecasting declining growth and inflation of over 10 per cent this year, there was no market reaction; it had all been dis counted.

The economic data due out this week include:-Today: June industrial production; Wednes day: housing starts in June; Thursday: personal income; and helpless. He has ruled out the Friday: GNP in the second abolition of petrol price con- quarter.

INTEREST RATES

Hard currency challenge to the U.S.

10%

FOR THE first time since 1973 the Bank for International the international foreign Settlements in its angual report exchange and capital markets last menting that the reaction in are confronted with a generally these three countries Germany, weak dollar and rising interest Japan and Swifzerland to the rates in the hard currency worldwide upswege in laffation centres of West Germany, Japan now being aggravated by the and Switzerland. latest OPEC price rises will be Last week's rise in the

Bundesbank's discount rate to 5 per cent, the highest level for over four years, has prepared policy outside the \$8. could the ground for a further round lead to a renewed run on the of European Inferest rate leap dollar, which even greatly introgging in the next few weeks: creased central bank intervenAlready this year's German tion would do little to stop—
monetary tightening up has especially as the Bundesbank in
propelled bank rates in Belgium, particular has given a dear sign
Denmark and Holland whose in recent months that a weak
currencies are close to their dollar is not wholly investione D. Wark floors in the European in the interests of fighting Monetary System to crisis domestic inflation levels, while interest rates have . That is why cer been rising in France and Italy have been at pains to play down

clear repercussions outside be said in a few weeks time by ticularly wowied at the rise in Europe. There is a definite Mr. Teichiro Morinaga, the their wholesale prices, running danger outlined elegantly by Bank of Japan governor, who at an annual rate of 18.6 per

considerably tougher and more effective than in the U.S.

Over-tightening of monetary policy outside the U.S. could

That is why central bankers the external effects of their EMS members are learning interest rate managemerings, the consequences of living, in a Dr. Otmar Emplinger, the DM zone: monetary interest Bundesbank president last week policies decided in Frankfart stressed that discount rate in inevitably call the tune for the crease was moderate and had satellite capitals as well largely been discounted in ad-The Bundesbank's anti-inda vance by markets.

1977 . . .

and Zurich to discuss interest rate strategy Japanese officials are par-

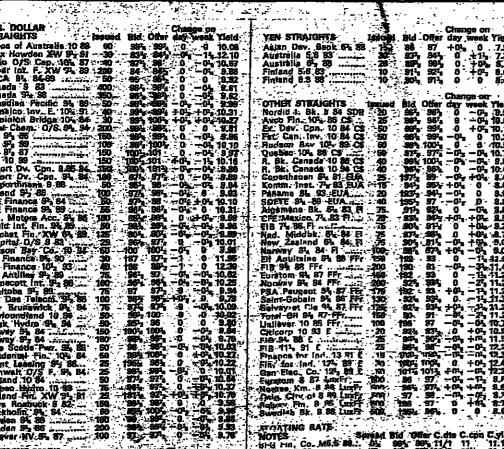
last week after a rare appear- cent over the last three months ance at the monthly BIS meet. An increase of perhaps 0.75 per ing in Basic visited Frankfurt cent in the Bank of Japan's 4.25 per cent discount rate is widely forecast, perhaps before the end of the month.

1978

US

on the way in Switzerland, at least on the capital market, even Carter's energy speech. .

FT INTERNATIONAL BOND SERVICE



The Floancief Times 1rd, 1978, Reproduction in whole on in part in any form not permitted without switten consent. Data supplied by Inter-Bond Services (a subgidiary of dataSIREAM international).

BONDTRADE INDEX AND YIELD High 79... 85.75 (1/2) 89.89 (30/1) Low 79... 94.40 (11/1) 88.67 (28/2) EUROBOND TURNOVER

(nominal value in Sm)

* No information available previous day's price. i Only one market maker supplied a price. STRAIGHT BONDS: The yield

is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week= Change over price a week earlier. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. M=Mini-mum coupon. Cdte=Date next coupon becomes effective. Spread = Margin above six-month offered rate (t three-month) for U.S. dollars. Copp = The current coupon. C.yla=The current yield. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day= Change on day. Chy. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Per-centage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares. most recent price of the shares.

The shows the 200 latest international bonds for which an adequate secondary market erists. The prices over the past week were supplied by Krediethank NV; Credit Commercial de Trance, Credit Lyomais; E. Hutton Services SARL; Commercial AG; Westdeutsche Landesbank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Krediet Bank Luxembourg; Algemene

Bank Luxembourg: Algemene Bank Nederland NV Pierson, Heldring and Pierson, Credit Suisse/Swiss Credit Bank; Union Suisse/swiss cheur Bank; Officer Bank of Switzerland; Akroyd and Smithers: Bankers Trust Inter-national; Bonditade; Banque Francaise de Credit Inter-national: Officers International Bank; Daiwa Europe NV: Deltor. Bank; Daiwa Europe NV: Deltec Trading Company Dillon Read Overseas Curporation; EBC; First Chicage: Goldman Sachs International Gorparation; Ham-bros Bank; IBJ International; Ridder Peahody International; Morgan Stanley International; Nesbitt: Thomson; Salomon Brothers International; Samuel

S. G. Warburg and Co.; Wood Closing prices on July 13

Montagu and Co., Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Pinance International;



REPUBLIC OF KENYA

U.S. \$200,000,000

Six Year Multicurrency Credit Facility

Lead Manager

National Westminster Bank Group

Bank of Montreal The Bank of Tokye, Ltd. **Barclays International Group** Chase Merchant Banking Group Citicorp International Group Deutsche Bank Compagnie Financière Luxembourg First Chicago Limited The Fuji Bank, Limited Manufacturers Hanover Limited Midjand Bank Limited

The Royal Bank of Canada (London) Limited Standard Chartered Bank Limited

Previded by

International Westminster Bank Limited Bank of Montreat The Bank of Tokyo. Ltd. Barclays Bank International Limited Chase Manhattan Bank, N.A. Citibank N.A. Deutsche Bank Compagnie Financière Luxembourg The First National Bank of Chicago The Fuji Bank, Limited Manufacturers Hanover Trust Company Midland Bank Limited Roycan Finanz A.G. Standard Chartered Bank Limited

Algemene Bank Nederland N.V. The Bank of Nova Scotte Channel Islands Limited The Bank of Yokohama Limited Banque Belge Limited/Societé Générale de Banque S.A. Banque Internationale pour l'Afrique Occidentale "B.LA.O." Centrale Rabobank Chemical Bank Crédit du Nord DG Bank International Société Anonyme First Pennsylvania Bank N.A. International Resources and Finance Bank S.A. Lloyds Bank International London & Continental Bankers Limited Midland and International Banks Limited National Bank of North America: Provincial Bank of Canada (International) Limited, Nassau
RoyWest Banking Corperation Limited - Societé Financière Européenne Finance Company N.V. SFE Group

Amex Bank Limited Bankers Trust Company Banque Nationale de Paris Baverische Landesbank Gitozentrale, London Branch Global Bank International Limited International Commercial Bank Limited Orion Bank Limited Provident National Bank Scandingvian Bank Limited F.Van Lanschot Banklers (Curação) NV Handelsbank NW (Overseas) Ltd. Tae Riggs National Bank of Washington, D.C.

International Westminster Bank Limited

Listy of this Clier the Sale, having attached therein the received documents specified haven, has been delivered to the Registrar of Companies for registration. Ambication has been made to the Council of The Stock Exchange for the Ordinary Share emitted of Morganitie House Holdings Limited ("the Company") issued stated in the Council of The Stock Exchange for the Ordinary Share emitted of Morganitie House Holdings Limited ("the Company") issued stated in the Council of The Stock Exchange for the Ordinary Share emitted to the Council of The Stock Exchange for the Ordinary Share emitted to the Ordinary Share emitted ("the Council of The Stock Exchange for the Ordinary Share emitted to the Ordinary Share emitted ("the Council of The Stock Exchange for the Ordinary Share emitted ("the Ordinary Share emitted ("the Council of The Stock Exchange for the Ordinary Share emitted ("the Ordinary Share emitted ("th



Offer for Sale by S.G. Warburg & Co. Ltd.

of 2000,000 Ordinary Shares of 25p each at 160p per share payable in full on application

The Ordinary Shares now offered for sale rank in full for all dividends declared or paid on the Ordinary Share capital of the Company after the date hereof.

Directors

Robert Renny St. John Barkshire, T.D., A.I.B. (Chairman)

Highlands, Chiddingly, near Lewes, Sussex
Michael John Lumley Kelly
Littleacre, Jersey Road, Osterley, Isleworth, Middlesex

Keith Hughesdon Boyles Farmhouse, Harwoods Lane, East Grinstead, Sussex

Derrick George Scotchbrook
Deepdene, Canterbury Road, Herne Bay, Kent

Peter Graham Bainbridge
Albany Lodge, 6A Blackheath Park, Blackheath, London SE3
The Earl of Carrick

10 Netherton Grove, London SW10 George Wardrop Fyfe, C.A.

Gable Cottage, Coombe Hill Road, Kingston upon Thames, Surrey
Michael Anthony Knowles
38 Colbert Avanue, Thorpe Bay, Essex

Michael John Pyle
3 The Dell, Woodford Green, Essex
Michael James, Warren
Brook Cottage, London Road, Copford, Colchester, Essex

Share Capital

in Ordinary Shares of 25p each

Authorised

Issued and now being issued fully paid

£1,750,000

£1,375,000

Indebtedness

Save as disclosed herein and apart from intragroup liabilities, neither the Company nor any of its subsidiaries had outstanding at the close of business on 18th June, 1979 any loan capital, mortgages, charges or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, material guarantees or other material contingent liabilities.

Secretary and Registered Office
Andrew John Conyers Sommerville, F.C.A.
Mercantile House, 66 Cannon Street, London EC4N 6AE
Auditors and Reporting Accountants

Price Waterhouse & Co., Chartered Accountants, Southwark Towers, 32 London Bridge Street, London SE1 9SY Solicitors to the Company

Clifford-Turner
Blackfriars House, 19 New Bridge Street, London EC4V 6BY
Solicitors to S. G. Warburg & Co. Ltd.

Slaughter and May 35 Basinghall Street, London EC2V 5DB Stockbrokers

Cazenove & Co.
12 Tokenhouse Yard, London EC2R 7AN, and The Stock Exchange

Bankers
Bank of England Williams & Glyn's Bank Limited
Threadneedle Street, London EC2R 8AH 67 Lombard Street, London EC3P 3DL

Receiving Bankers to the Offer for Sale
Williams & Glyn's Bank Limited
67 Lombard Street, London EC3P 3DL

Registrars and Transfer Office
Williams & Glyn's Registrars Limited
31 St. Andrew Square, Edinburgh EH2 2AB

Chairman's Letter

The following is a copy of a letter to S. G. Warburg & Co. Ltd. from Mr. R. R. St. J. Barkshire, Chairman of Mercantile House Holdings Limited.

The Directors, S. G. Warburg & Co. I.d. 11th July, 1979.

Dear Sirs,

In connection with your Offer for Sale of Ordinary Shares of Mercantile House Heldings Issuited ("the Company" and, with its subsidiaries, "the Group") I have pleasure in giving you the following information.

The Company is a holding company with two direct subsidiaries, M. W. Marshall & Company Limited ("Marshalls") and Saturn Holdings Limited ("Saturn"). Marshalls carries on the Group's principal business of international money broking through its London office and overseas subsidiaries. In Saturn the Group has developed a range of other financial services.

History

The exchange broking business of Marshall and Son was founded in London in 1868. In 1923 the pareinership abanged its name to M. W. Marshall and Company and continued to trade as foreign exchange and coupon brokers until 1939. The London foreign exchange market was closed during the Second World War and when it re-opened in 1952 Marshalls was incorporated by descendants of the founding family to continue the business previously carried on by the partnership. The business in its present form has evolved since 1967 when Cater Ryder & Company Limited ("Cater Ryder"), of which I was a joint Managing Director, purchased Marshalls and then formed Cater (Brokers) Limited to provide a complementary broking service in the sterling deposit markets. These two companies, which were managed respectively by Mr. M. J. L. Kelly and Mr. K. Hughesdon, have provided the base on which the current business has been built and most of the people involved in the early days of development are still with the Group.

In 1972 the Company, then named M. W. Marshall Investments Limited, was formed in order to increase Cater Ryder's broking interests in both the foreign exchange and sterling markets; initially 90 per cent. of these interests was acquired and the balance in 1975.

Since 1972 we have sought to develop the activities of the Group in several ways. We have continued the policy of expanding the international coverage of our money broking hasiness by increasing the number of offices around the world to the current total of 13. We took a major step towards strengthening our presence in the increasingly important financial markets in the United States through the acquisition in 1977 of Lasser Bros., Inc., a leading foreign exchange broker based in New York. We have developed our non-money broking activities through Saturn and these now include lease consultancy and fund management. Earlier this year the Company changed its name from M. W. Marshall investments Limited to Mercanille House Holdings Limited in order to reflect our policy of broadening the range of financial services provided by the Group.

Prior to this Offer for Sale there were approximately 200 shareholders of the Company, including 141 employees, and some 60 per cent, of the issued capital was held by investment institutions.

Busines

The Group's activities, and their contributions to turnover (as defined in the Accountants' Report) in the year ended 30th April, 1979, are as follows:—

Money broking 15,472
Thilted States securities trading 362
This notal services 454

16,288

(a) Money broking

The international money market consists of a number of individual markets in many different financial centres training in foreign exchange and, depending on the particular financial centre, in starling and other currency deposits (including United States Federal Funds) and money market paper such as certificates of deposit. The markets facilitate domestic and international trading, provide a medium through which financial transactions are settled and enable currencies to establish their relative levels. The participants in the markets are mainly hanks, but also facinde governments, government agencies, local government authorities, other financial institutions and commercial and individual companies. Marshalls offices work diosely in conjunction with the local monetary and banking suthurines who supervise the markets and in several cases Marshalls has played a significantirols in the development of new markets.

Marshalls and its subsidiaries are brokers, putting together buyer and seller or borrower and lender for a commission. They do not act as principals in any of these markets, except as investors of their own surplus funds. Commissions are normally charged to both principals; in most centres and markets the rates of commission are agreed from time to time by the participants in the markets. In the London foreign exchange and currency deposit markets the Bank of Hagland prescribes scales of minimum and maximum brokerage to be paid by banks to recognised brokers, of which Marshalls is one. Under current arrangements, Authorised Banks have agreed not to use the services of a broker operatments, Authorised Banks have agreed not to use the services of a broker operatments, and office in the United Kingdom which is not a recognised broker nor, ing from an office in the United Kingdom which is not a recognised broker nor, ing from an office in the United Kingdom which is not a recognised broker nor, in specified circumstances, to deal directly with other banks in foreign

Marshalls has been a member of the Foreign Exchange and Currency Deposit Brokers' Association in London since its inception. The principal objects of the Association are to ensure that foreign exchange and currency deposit broking business in London is conducted in an orderly and efficient manner. There is, as yet, no comparable organisation for brokers in the sterling deposit market, but proposals for the formation of a Sterling Brokers' Association have been under consideration for some time.

Marshalls participates in the international money market through its offices around the world. We believe that a money broking group which has this international coverage and the ability to co-ordinate its operations in the different markets through a worldwide communications system can offer a more comprehensive service and more competitive prices than can brokers with fewer offices. On a normal working day, the geographical spread of Marshalls' offices enables at least one office to be active in the markets at all times. Partly as a result of this international coverage, Marshalls has been able to establish an important position in international foreign exchange broking; in the year ended 30th April, 1979 more than half of the Group's brokerage commission was earned from this source.

Marshalls' largest office is in London and it also has offices in Jersey, Glasgow, Dublin, New York, San Francisco, Toronto, Panama, Singapore, Hong Kong and Sydney and a representative in Tokyo. In Bahrain and Kuwait it has management contracts to operate broking companies owned in conjunction with local associates. The New York office was merged in 1977 with Lasser Bros., Inc. to form Lasser Marshall Inc. ("Lasser"). Marshalls' newest office, in Sydney, will shortly commence trading. Marshalls also has agency arrangements with brokers in Amstedam, Antwerp, Brussels. Frankfurt, Geneva, Kuala Lumpur, Luxembourg, Madrid, Milan, Paris and Zurich which enable its offices to increase their coverage of these centres. The brokerage commission produced by this worldwide network in the year ended 30th April, 1979 can be summarised as follows:—

6,343

5,790

3,339

15,472

London, Jersey, Glasgow and Dublin
New York, San Francisco, Toronto and Panama
Singapore, Hong Kong, Bahrain and Kuwait
...

(b) United States Securities Trading

In addition to money broking, Lasser participates in the short term United States money market by trading as a principal through repurchase agreements. Repurchase agreements ("RPs") are transactions which enable banks, major corporations and Government securities dealers and other financial firms to trade large amounts of liquid funds with one another through sales of securities with simultaneous agreements to repurchase them after periods as short as one day and rarely longer than 90 days. The securities involved are typically United States Government and Federal agency securities but can include other securities such as certificates of deposit of large banks. Lasser operates in this market by trading with customers wishing to buy or sell such securities in order to lend or borrow short term funds. Lasser concludes RPs with both the buyer and the seller as a principal and derives its earnings from the difference in the interest rates on the funds involved in the transactions.

Transfer of securities and funds takes place simultaneously and a margin is always established between the market value of the securities involved and the quantity of funds supplied. When the maturities of Lasser's RPs portfolio are matched its exposure in the event of default by its customer would be related to any change in the market value of the underlying security in excess of the margin during the period before the transaction with the defaulting customer can be settled. When Lasser takes positions by concluding RPs for unmatched periods or in respect of securities it has purchased outright it is also exposed to movements in interest rates on the unmatched part of its portfolio and may realise a profit or loss from changes in the underlying value of securities it has purchased outright.

Lasser's exposure to potential loss from adverse movements in interest rates as a result of taking positions or purchasing securities outright is assessed by reference to the amount and maturity of outstanding RPs which are not fully matched and to assumptions about possible future movements in interest rates. The Directors of the Company have laid down limits on the positions which Lasser may take based on the potential for loss so estimated.

(c) Financial Services

The Saturn group commenced trading in 1974 to provide additional financial services in the markets in which the Group already operated by extending the range of services offered to existing customers and with the objective of making these markets available to a wider group of customers.

Sotum Management Limited ("SML") provides equipment lessing consultance.

Saturn Management Limited ("SML") provides equipment leasing consultancy services, primarily to the United Kingdom public sector. The fees received by SML are related to the cost of the capital equipment and are normally paid by the lessee, as SML's client, rather than by the lessor. SML was the first specialist consultant to enter the fast expanding equipment leasing market and has achieved a considerable reputation as a consultant in this field.

Saturn Fund Management Limited ("SFML") provides fund management services to Saturn Investment Management Company Limited ("SIMCO"), the manager of two short term money finds which are widely used by stockbrokers, accountants and other professional advisers. These funds enable a number of small deposits to be combined into larger marketable amounts, which then are placed at more advantageous rates in the sterling money market exclusively with Local Authorities and with clearing banks and their subsidiaries. SFML also manages the other funds the Group has under management including, jointly with other advisers, the Quest group of unit trusts based in Jersey.

Saturn's other interests include shareholdings in Spedley Holdings Limited (14.9 per cent.), merchant bankers in Australia, and Gulf Financial Services Limited (22.0 per cent.) and Pan Arab Management KCSC (24.5 per cent.) which offer financial services in the Middle East.

Directors

The joint Managing Directors of the Company are Mr. M. J. L. Kelly, Mr. K. Hughesdon, Mr. D. G. Scotchbrook and myself and in conjunction with others we formed the Company in 1972. I have been Chairman of the Company since its incorporation and my principal responsibility is for the formulation of the Group's corporate and financial policies. I am aged 43. Mr. M. J. L. Kelly (47) is Chairman of Marshalls, which he joined in 1957. From 1971 to 1976 he was Chairman of the Foreign Exchange and Currency Deposit Brokers' Association in London and a member, under the chairmanship of the Bank of England, of the Joint Standing Committee, concerned with the foreign exchange market. Mr. K. Hughesdon (47) is Chairman of Saturn and also a Director of Marshalls. He joined the Cater Ryder group in 1967 in order to form Cater (Brokers) Limited and is a member of the Bank of England's Joint Standing Committee to establish a Sterling Brokers' Association. Mr. D. G. Scotchbrook (44) is Deputy Chairman of Marshalls which he joined in 1961. He has special responsibility for the foreign exchange department.

There are four other executive Directors of the Company. Mr. P. G. Bainbridge (32) joined the Group in 1968. He is Chief Executive of Saturn and was appointed a Director of the Company in May, 1979. Mr. M. A. Knowles (37) joined Marshalls in 1965 and was appointed a Director of the Company in December, 1978. He is a joint Managing Director of Marshalls and is responsible for all foreign exchange and currency dealing in the London office. Mr. M. J. Pyle (44) joined Marshalls in 1965 and was appointed a Director of the Company in June, 1978. He is Chief Executive of Marshalls and is responsible for its worldwide operations, including North America, the Middle East and the Far East. Mr. M. J. Warren (42) joined Cater (Brokers) Limited in 1967 and was appointed a Director of the Company in December, 1978. He is a joint Managing Director of Marshalls responsible for all aspects of the United Kingdom domestic sterling market and is also Marshalls' Staff Director.

All the executive Directors have entered into service agreements for a period of five years.

There are two non-executive Directors of the Company. The Earl of Carrick (47) was appointed a Director in May, 1979. He is also a Director of The Bowater Corporation Limited and Chairman and Managing Director of its subsidiary Ralli Brothers (Trading) Limited which is a major commodity trader and broker. Mr. G. W. Fyfe (67) was appointed a Director in 1976. He is also a non-executive Director of Globe Investment Trust Limited and of Electra Investment Trust Limited.

Stafī

The Group's business depends to a considerable degree on the broking ability of its dealers. The Group pursues an active recruiting policy and Marshalls runs a comprehensive training scheme for new dealers.

The Group employs a total staff of 537 of whom 513 are employed by Marshalls and 24 by Saturn. The largest offices are London and New York. London employs 263 of whom 154 are dealers and New York employs 143 of whom 112 are dealers.

Marshalls' dealers are recommended in accordance with marshalls' dealers.

Marshalls' dealers are remunerated in accordance with market practice, usually by fixed salary and by bonus. Bonus levels are at the discretion of the Board and are based on profitability and assessment of individual staff performance. A fixed proportion of Lasser's profits is paid into a bonus pool out of which individual staff bonuses are paid at the discretion of management. In the year ended 30th April, 1979 the total remuneration of the Group's employees (including executive Directors) amounted to approximately £6,646,000, representing some 49 per cent. of total operating expenses.

The Group has established pension schemes for all the permanent staff of the United Kingdom companies and of the majority of the overseas subsidiaries. The present annual cost of the schemes to the Group is approximately £245,000.

It has always been the Company's policy to encourage employees to hold shares in the Company. Following this Offer for Sale, and before taking into account any shares which may be purchased under the Offer for Sale, 23 per cent. of the issued Ordinary Share capital will be held by a total of 141 employees (including executive Directors).

Proceeds of the Issue and Working Capital

Of the 2,000,000 Ordinary Shares now being offered for sale, 620,000 are new Ordinary Shares for which S. G. Warburg & Co. Ltd. has agreed to subscribe in cash ("the Subscription") and 1,380,000 are being made available by existing shareholders. The net proceeds of the Subscription are estimated at £700,000, after deduction of the expenses of the Offer for Sale to be borne by the Company.

The net proceeds of the Subscription, in addition to providing increased working capital, will strengthen the capital base of the Company and will facilitate the continued development of the Group by internal growth and, as and when suitable opportunities occur, by acquisition.

The net assets of the Group at 30th April, 1979, as shown in the Accountants' Report and after deducting the premium on acquisition of subsidiaries, amounted to £2,380,000. On this basis and taking into account the net proceeds of the Subscription, the net assets attributable to each Ordinary Share in issue following this Offer for Sale are 56p.

The Directors are of the opinion that, having regard to the cash resources of the Group and to the net proceeds of the Company and its

The Group's recent record is one of consistent growth. Since 1975 profits before and after taxation have increased in each year and, with the exception of 1978, which included the initial effect of the acquisition of Lasser Bros., Inc., earnings per share have also increased year by year. The Group's policy of continuing investment for the future has been an important factor in this growth; the increase in profits has been achieved during a period of substantial expenditure on expanding the size and number of Marshalls' offices and on development of the activities of the Saturn group, which is now making a contribution to Group profits.

The results for the year ended 30th April, 1979 are set out in the Accountants' Report and show profits before taxation of £2,604,000 and earnings attributable to Ordinary Sharcholders of £1,315,000. It is too early to make a profit forecast for the current year ending 30th April, 1980. However, taking by way of illustration the earnings for the year ended 30th April, 1979, and assuming the net proceeds of the Subscription were placed on description and fill results and the subscription were placed on description and the full results are the subscription were placed on description and the full results are the subscription were placed on description and the full results are the subscription where the subscription were placed on description and the subscription where the subscription were placed on descriptions. of the Subscription were placed on deposit for a full year to earn interest at the rate of 6 per cent. after taxation at 52 per cent., the earnings attributable to Ordinary Shareholders would be £1.357,000.

On the basis of the 5,500,000 Ordinary Shares in issue following this Offer for Sale, this is equivalent to earnings per Ordinary Share of 24.7p and, at the Offer for Sale price of 160p, the price/earnings multiple is 6.5 times.

Dividends

The total dividend payment in respect of the year ended 30th April, 1979, on the basis of the issued share capital of the Company following the capitalisation issue, was 10.72p per Ordinary Share (equivalent to 15.31p per Ordinary Share inclusive of the related tax credit at the current rate of \$\frac{2}{3}\$ths). In the absence of unforeseen circumstances, the Directors intend to recommend a total dividend in respect of the current year and in \$\frac{2}{3}\$th April 1990 of not less than 10.72p not Ordinary the current year ending 30th April, 1980 of not less than: 10.72p per Ordinary Share on the increased share capital. A total dividend of 10.72p per Ordinary Share would be covered 2.3 times by earnings of £1, 7,000 as set out above and would represent a gross yield of 9.6 per cent. on the er for Sale price

It is intended that the total dividend payments in respect of a financial year will be split between an interim dividend, normally payable in February of each year, of approximately one-third of the total dividend payable and a final dividend, normally payable in August of each year.

The Future

Since 1967 the business of the Group has grown substantially. We have pursued a policy of expanding the money broking business into established and newly developing financial centres and through Saturn we have broadened the range of financial services offered by the Group. We intend to continue this policy.

The nature of Marshalls' business, having regard to fluctuations in levels of activity in the international money markets, makes it difficult to gauge the demand for its services in advance. Nevertheless we believe that there is considerable scope for further development of Marshalls through increasing our coverage of existing markets and by extending our business into new geographical areas; we also believe that our strong position in the increasingly important North American markets will be a major factor in this growth. We will keep under constant review the costs of operating the international service required by the markets and we consider that in the future Marshalls will obtain a significant proportion of the broking income available on a profitable basis.

We are confident that Saturn's contribution to Group profits will become increasingly important in the years ahead and we plan to enlarge its activities by expanding the existing business and by moving into related financial fields when suitable opportunities occur. It continues to be our policy to confine our activities to the financial fields for which we have the necessary experience and expertise.

The Directors consider that the Group is well placed to take advantage of opportunities for continued expansion in the United Kingdom and overseas as they occur. We view the future with confidence.

Yours faithfully.

R. R. St. J. BARKSHIRE, Chairman.

Accountants' Report The following is a copy of a report to the Directors of Mercantile House Holdings Limited and of S. G. Warburg & Co. Ltd. made by the auditors and reporting accountants, Price Waterhouse & Co., Chartered Accountants.

Price Waterhouse & Co., Southwark Towers, 32 London Bridge Street, London SE19SY.

The Directors. Mercantile House Holdings Limited S. G. Warburg & Co. Ltd.

11th July, 1979.

We have exemined the books and accounts of Mercantile House Holdings Limited, formerly named M. W. Marshall Investments Limited, ("the Company") and of its subsidiaries (together with the Company referred to as "the Group") for the periods relevant to this report. In our opinion, the financial information set out below, which is based on audited accounts after taking such adjustments as we consider appropriate, gives a true and fair view of:—

(i) the profits and source and application of funds of the Group for the five years ended 30th April,

(ii) the state of affairs of the Company and of the Group at 30th April, 1979.

Accounting Policies

The following are the principal accounting policies adopted by the Group which have been used in preparing the financial information set out in this report:-

Basis of accounting

The accounts have been prepared under the historical cost convention.

Basis of consolidation

The Group accounts deal with the accounts of the Company and all United Kingdom subsidiaries made up to 30th April, and with the accounts of all overseas subsidiaries made up to 31st March. The results of companies acquired during a financial year are included in the Group accounts from their effective dates of acquisition.

Rates of exchange

Foreign currency amounts are expressed in sterling as follows:-

(i) Monetary assets and liabilities at rates ruling at the respective year ends. (ii) Income and expenditure other than depreciation at the average rates for the year.

(iii) Fixed assets, depreciation, investments and premium on acquisition of subsidiaries at rates ruling at date of acquisition. Gains or losses arising from the translation of foreign currency net current assets are included

Turnover of the Group comprises:-

(i) Revenue from money broking, where the Group takes credit for brokerage commission at the time the deal is negotiated.

(ii) Income from United States securities trading. (iii) Income from financial services.

Provision is made for deferred taxation at current tax rates in respect of all timing differences except those which it can be demonstrated with reasonable probability will continue in the future. Deferred tax also takes account of advance corporation tax recoverable in future years.

Fixed assets are stated at cost less depreciation.

Leasehold property and improvements are amortised by equal annual instalments over the period of the lease.

Depreciation on assets leased to third parties is calculated on a straight line basis over the primary period of the lease. Depreciation on other fixed assets is calculated to write off cost mainly on a straight line basis over their estimated useful lives; the principal rates of depreciation used by the Group are 10 per cent.

United States securities trading

Transactions in securities (United States Government securities and other negotiable instruments) principally comprise repurchase agreements where a sale and a simultaneous repurchase is made for settlement at a later date, and reverse repurchase agreements where a purchase and a simultaneous resale for settlement at a later date is undertaken. Income is derived from the difference between the interest rates involved in these transactions and from any profit or loss resulting from outright purchases of the securities.

Premium on acquisition of subsidiaries

Premium on the acquisition of subsidiaries comprises the excess of cost over the value of net tangible assets acquired and is stated at cost to the Group. The premium also includes certain pre-incorporation costs incurred in establishing overseas offices.

Profit and Loss Accounts The consolidated results of the Group for the period under review were as follows:—

		•			Years	ended 30th	April	
Turnover Operating expenses		·	Notes	1975 .£'000 4,422 3,751	1976 £'000 6,587 5,262	1977 £'000 8,020 . 6,593	1978 £'000 11,159 9,448	1979 £'000 16,288 13,685
Operating profit	••	••	••	671	1,325	- 1,427	1,711	2,603
Share of profits/(losses)	ofas	sociate	ed .			(14)	_	1
Profit before taxation Taxation	•	••	∷ 4	671 386	1,325 651	1,413 565	1,711 804	2,604 1,289
Profit after taxation Minority interests	::	::	::	285 33	674	848	907	1,315
Profit attributable to Dividends	sha ••	rehol	ders 5	252	674 246	848 326	907 429	1,315. 523
Retained earnings	••	••		252	428	520	478	792
Earnings per Ordinar	y Sha	ire	6	7.9p	19.8p	22.6p	20.6p	26.9p
Rate of Dividend per (ordin	ary Si	are 5		7.8p	8.7p	9.7p	10.7p

Balance Sheets at 30th April, 1979 The Company £'000 Notes 1.313 Fixed assets ... 2,700 Premium on acquisition of subsidiaries 166 Trade investments 8 1,002 Subsidiary companies Current assets Amounts receivable under agreement to resell United States securities United States negotiable instruments under agreement to repurchase 144,494 16,941 4,013 Debtors ... Current accounts with subsidiaries - 2,706 2,186 167,634 2,706 Leas:— Current liabilities Amounts payable under agreement to re-purchase United States securities Creditors Current accounts with subsidiaries 251 Bank overdraft 1,225 523 491 523 1,303 166,674 1.403 Net current assets 2,405 5,139 assets less current liabilities ... Net assets including premium on acquisition of subsidiaries 5,080 Represented by:-610 Share capital 610 I,743 1,748 Retained earnings 2,727 2,405 5,080 Statement of Source and Application of Funds The Group Years ended 30th April 1976 £'000 £,000 Source of funds 1,711 , 2,604 1,325 2,413 Profit before taxation Adjustments for items not involving the move-**6**124 228 Depreciation
Write-down of investments in associated 147 107 companies in associated Share of (profits) losses of associated companies 50 6 14 **(1)** 1,574 1,989 2,902 Total generated from operations 1,451 Funds from other sources 122 1,445 219 37 509 Sale of fixed assets 3,556 3,121 1,997 1,599 830 Application of funds 230 843 947 1,505 158 475 1,180 732 227 653 227 95 114 Dividends paid 24 389 250 120 117 Tax paid
Purchase of fixed assets
Purchase of fixed assets
Perenium on acquisition of subsidiaries
Purchase of trade investments 198 2 10 Minority interests 1,316 3,683 2,397 783 587 Changes in working capital Increase/(decrease) in:— Debtors

1,079 Increase/(decrease) in net liquid funds ... (367) (184)*Net tangible assets of Lasser Bros., Inc. on 1st September, 1977, the effective date of acquisition, £'000 Fixed assets

Amounts receivable under agreements to resell
Other debtors
Bank balances
Amounts payable under agreements to repurchase 407 307,524 1,284 295

(1,888)

2,302

1,197

322

145

1.783

439

53

1,109

- 888

885

143,762

(2,009)

2,477

1,445

(143,844) (18,018)

1,428

732 16,941

(380)

3,100

21

(307,412) (2,065) Premium arising on acquisition

Notes to the Financial Statements

Debtors

Amounts receivable under agreements to Amounts receivable under agreements to resell
Negotiable instruments
(Increase)/decrease in:—
Creditors excluding taxation and proposed dividends

Amounts payable under agreements to

--

1. Acquisition of Lasser Bros., Inc. The Company acquired from The J. P. Cubot Equity Corp. ("Cabot") with effect from 1st September, 1977, Lasser Bros., Inc. ("Lasser"). The consideration was satisfied by the issue of 580,000 Ordinary Shares of 25p each on 29th May, 1978, such shares being credited as fully paid ranking part passu with existing Ordinary Shares of the Company including the right to all dividends paid or declared in respect of the financial year ended 30th April, 1978. Although subsequent conditions had to be met, Lasser traded as part of the Group from 1st September, 1977 and the Financial Statements have reflected the position as if the Ordinary Shares had been issued on 1st September, 1977 and include the results of Lasser from that date. The cost of acquisition of Lasser includes £45,000 representing dividends payable by the Company to the vendor in respect of the period prior to 1st September, 1977.

	_	_	-	-	•
2. Turnover	1975 £'000	1976 £'000	1977 £'000	1978 £'000	1979 £'000
Money broking —United Kingdom, Ireland and Channel	2 000	2 300	200		
Islands	2,589 1,789	4,252 2,259	4,585 3,330	5,036 5,731	6,343. 9,129
United States securities trading	44	76	105	190 202	. 362 454
Financial services					
	4,422	6,587	8,030	11,159	16,288
3. Operating Expenses					
Operating expenses include the following:— Depreciation and amortisation	107	124	147	228	293
Exchange translation (gains)/losses Costs incurred in setting up associated	(95)	(161)	(97)	71	.(17)
companies	27	173	_	. =	
minerest payante					
4. Taxation		٠.			
(a) The charge for taxation, which is based on the profits of each year, comprises:—	•				
UK Corporation Tax at 52 per cent. Double texation relief	344 (72)	452	382	406 (78)	491 (170)
	272	452 196	382	328	- 321
Oversess tax Deferred tax arising from accelerated	133		148	399	849
capital allowances	(19)	3	35		119
	386	651	565	804	1,289

(b) No provision has been made for further taxation (amounting in total to £950,000 at 30th April, 1978) which would be payable if attributable overseas profits of subsidiaries were remitted to the United Kingdom.

(c) Deferred taxation at 30th April, 1979, which is provided in full, comprises:— Timing differences arising from accelerated capital allowances ACT recoverable on dividends payable 59

The rate of dividend for each year has been adjusted to take account of a capitalisation issue of shares on 14th July, 1879 (Note 9) and, so far as concerns 1976, does not include a special dividend of £52,500 paid to one shareholder only.

The Directors of the Company and certain employees of the Group waived their rights to dividends totalling £39,189 (7.89 per share) in respect of the year ended 30th April, 1976.

6. Earnings per Ordinary Share

The calculation of earnings per Ordinary Share is based on the profit attributable to shareholders for each year and on the weighted average number of shares in issue during each year, after adjusting for capitalisation issues of shares on 18th December, 1975 and 11th July, 1979 (Note 9) and for the issue of shares on 28th May, 1978 as if it had taken place on 1st September, 1977 (Note 1).

7. Fixed Assets £7000 Inprovements to short leasehold properties
Furniture, fixtures, motor vehicles and equipment
Assets leased to third parties 1,387 196 2,029 716 Accumulated depreciation 1,313 Net book amount 8. Trade Investments Shares in associated companies at cost together with the Group's share of accumulated undistributed profits less losses and amounts written off Other trade investments at cost 166 Directors' valuation 9. Share Capital £'000 Authorised
3,000,000 Ordinary Shares of 25p each ... - 750 Issued and fully paid
2,440,000 Ordinary Shares of 25p each

On 11th July, 1979 the authorised share capital of the Company was increased to £1,750,000 by the creation of an additional 4,000,000 Ordinary Shares of 25p each. On the same date 2,440,000 Ordinary Shares of 35p each were issued credited as fully paid to existing holders of Ordinary Shares by way of capitalisation of £510,000 standing to the credit of the share premium account. Under the terms of a contract dated 11th July, 1979 the Company has conditionally agreed to issue for cash a further 620,000 Ordinary Shares of 25p each at 156.8p per share.

(a) The Company has given guarantees in respect of the trading obligations of Laster Marshall 16. Guarantees and Contingent Liabilities

(b) The Company has given an undertaking to the Bank of England that in the event of Cahat disposing of all or any of its shareholding in the Company, the Company will companie the disposing of all or any of its shareholding in the Company, the Company will companie the United Kingdom official foreign reserves. On 11th July, 1978 Cabat entered into a conditional United Kingdom of the Office agreement for the sale of its shareholding to S. G. Warburg & Co. 12th for the purpose of the Office agreement for the sale of its shareholding to S. G. Warburg & Co. 12th for the official market an for Sale. The compensatory transaction will involve the Company saling in the official market an for Sale. The compensatory transaction will involve the Company saling in the official market with amount of foreign currency equal to the value of those shares at the time of issue raduced by the amount of all financial benefits which have been received in the United Kingdom as a result of the acquisition. The compensatory transaction is not expected to have a material effect on the financial acquisition. The compensatory transaction is not expected to have a material effect on the financial position of the Group.

Capital expenditure anthorised at 30th April, 1979 amounted to 2127,000 of which contracts ware

Yours faithfully, PRICE WATERHOUSE & CO. Chartered Accoun

Statutory and General Information

7. Share Capital The Company was incorporated in England as a private company on 28th June; 1972 under the Companies Acts 1948 to 1987 and was converted into a public company on 15th December, 1975. Its registered number is 1059719.

There have been the following changes in the authorised and issued share capital of the Company during the two years preceding the date of this Offer for Sale:

(i) On 29th March, 1978, the authorised capital of the Company was increased from 2500,080 to \$750,000 by the creation of 1,000,000 additional Ordinary Shares of 25p each.

(ii) On 29th May, 1978, as consideration for the acquisition of the there capital of Lass Bros., Inc., 560,000 Onlinery Shares were issued, credited as fully paid. Bros., Inc., 560,000 Ordinary Shares were issued, credited at fully pard.

(iii) On Hith July, 1979, the authorised share capital of the Company was increased from £750,000 to £1,750,000 by the creation of 4,000,000 new Ordinary Shares of 25p each were issued credited as fully paid to existing 2,440,000 new Ordinary Shares of 25p each were issued credited as fully paid to existing 1,440,000 new Ordinary Shares at to their holdings, by way of capitalisation of £610,000 holders of Ordinary Shares, pro rate to their holdings, by way of capitalisation of £610,000 holders of Ordinary Shares already held.

Immediately following this Offer for Sale, the authorised share capital of the Company will consist of £1,750,000 divided into 7,000,000 Ordinary Shares of 25p each. The issued share capital will consist of £1,375,000 divided into 5,500,000 Ordinary Shares of 25p each.

Save as disclosed in this Offer for Sale and for intra-Group transactions:

(a) no share or loan capital of the Company or of any of its subsidiaries has been instead within the two years immediately preceding the date of this Offer for Sale or is now proposed to be laured, fully or partly paid, either for each or for a consideration other than each;
(b) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries within the said two years in connection with the issue of any share or loan capital of such companies; and
(c) no capital of the Company or of any of its subsidiaries is under outlon or agreed conditionable.

(c) no capital of the Company or of any of its subsidiaries is under option or agreed conditionally to be put under option.

No material issue of shares of the Company (other than consequent upon an offer to thereholdes pro rata to their existing shareholdings) will be made within one year of the date of this Offer for Sale without prior approval of the Company in general meeting.

Following this Offer for Sale 1,500,000 Ordinary Shares of 25p each of the Company will remain unissued but no issue of such shares which would effectively after the control of the Company will be made without prior approval of the Company in general meeting.

The Articles of Association of the Company contain, inter alia, provisions to the following effects

Subject to any special terms as to voting upon which any shares may for the time being he held, at any General Meeting on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a representative duly authorised under Section 139 of the Companies Act 1845, not being himself a member, shall have one vote, and in the case of a poll every member present in person or by proxy shall have one vote for every 25p nominal amount of the shares held by him.

(a) A Director shall not be required to hold any qualification shares.

(a) A Director shall not be required to hold any qualification shares.

(b) The remuneration of the Directors shall from time to time be determined by the Company in General Meeting and any such remuneration shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the Directors as they shall agree, or, failing agreement, equally. The Directors shall also be entitled to be repaid all travelling and hotel expenses incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from Board Meetings, Committee Meetings or General Meetings, or otherwise incurred while engaged on the business of the Company. If by arrangement with the ordinary duties as a Director shall perform or render any special duties or services outside his ordinary duties as a Director, the Board may pay him special remuneration, in addition to any feet or ordinary remuneration, and such special remuneration may be by way of salary; commission, participation in profits or otherwise as may be arranged, and shall be charged as part of the Company's ordinary working expenses.

(c) The Poard has recent to you remarked as a table at the contract of the contract

(c) The Board has power to pay pensions or other retirement benefits to inter allos, Directors and ex-Directors of the Company and its subsidiaries holding or who have held any salaried employment or office and their wives, widows, families and dependants.

(d) A Director may be appointed by the Board to any other office or place of profit under the Company (except that of Auditor) for such period, on such terms and at such remuseration as the Board may determine.

(e) No Director or intending Director shall be disqualified by his office from contracting with the Company nor shall any such contract or any contract or arrangement entered into by or of behalf of the Company in which any Director is in any way directly or indirectly interested be hable to be avoided nor shall any Director as contracting or being so interested by lainle to account to the Company for any profit realised thereby, save that the nature of his interest must be declared by its Director at the meeting of the Board when the contract or arrangement is first taken into reason that the nature of the contract or arrangement is first taken into reason.

(f) A Director shall not, save as otherwise provided, your in respect of any confract or arrangement or any other proposal whatsoever in which he has any material interest otherwise that he virtue of his interests in shares or debentures or other securities of or otherwise in or impossible Company. A Director shall not be counted in a quorum at a meeting in relation to any Resolution or which he is debreed from untitled.

(g) A Director shall (in the absence of some other material interest than is indicated below) be utilled to vote (and be counted in a quorum) in respect of any Resolution concerning any of the

sing matters, namely:—

(i) the giving of any security or indemnity to him in respect of money less or obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiarite. (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof.

be interested as a participant in the underwriting or suo-underwriting thereof.

(iv) any proposal concerning any other company in which he is interested, directly in his directly and whether as an ufficer or shareholder or otherwise however provided that he is not the holder of or beneficially interested in 1 per cent. or more of sizy class of the equity share capital of such company (or of a third company through which his interest is derived) or of the voting rights available to members of the relevant uniqueny (any such interest being deemed to be a material interest in all circumstances), and

(v) any proposal concerning the adoption, medification or operation of a supersangular fund or retirement benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approvel by the Board of Inland Revenue for tax purposes.

(b) Where proposals are under consideration concerning the appointment Calluding firing at varying the terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such cases each of the Directors concerned (if not debarred from voting under paragraph (g) (iv) above) shall be emitted to rote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

(i) If any question shall arise af any meeting as to the materiality of a Director's interestor site the entitlement of any Director to vote and such question is not resolved by his visionarily agreeing to abstain from voting, such question shall be referred to the Chairman of the meeting and his religion in relation to any other Director shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned has not been filtry disclosed.

(i) The Company may by Ordinary Resolution suspend or relat the provisions summarised under paragraphs (f), (g), (h) and (i) above to any extent or ratify any transaction not doily authorised by reason of a contravention of such provisions.

(k) No person shall be or become incapable of heing appointed a Director by reason of his having attained the age of seventy or any other age, norshall special notice be required in connection with the appointment of such person and no Director shall vacate his office at any time by reason of the fact that he has attained the age of seventy or any other age.

Borrowing Limits

Borrowing Limits

The Directors may borrow or raise from time to time such sums of money as they think necessary for the purposes of the Company. The aggregate amount at any one time desing by the Company and all its subsidiaries in respect of moneys borrowed by it. Or them or any of them tenchisive moneys borrowed by the Company or any of its subsidiaries from any other of such companies shall not at any time, without the previous sanction of the Company in Central Meeting, excess a sum equal to two and one half times the aggregate of the adjusted total (which infer this excited goodwill) of the share capital and reserves of the Company as shown in a canaditation of the shall latest audited Balance Sheets of the Company and sach of its subsidiary configures.

3. Subsidiary Companies

The principal subsidiary companies, none of whose shares are listed on a stock exchanging a which are wholly owned, are as follows:— Place and Date of Incorpo

Money Droking	The second of th
M. W. Marshall & Company Limited	England, 27th March, 1952
M. W. Marshall (C.L.) Limited	Jersey, 20th October 1979
Marshalls (Ireland) Limited	LINISTRE ALTO LICENTINATE TO THE CASE.
Lesser Marshall inc.	U.S. S. (New York: 27th Mourh 2070 77 C. rong see
M. W. Marshall (Canada) Limited	. Little College Colle
Marshalls Panabrokers Lineard	Cavitan Islands 8th desire 10th
Marshalls Panabrokera S.A	Parama, Inch January 1976
Marshalia (Singapore) Pte Amuted	Singapore, 26th April, 1973
Marshalls (Hong Kong) Limited	Hong Kong, 5th December, 1972 H. K. Sto. 000
M. W. Marshall & Company Fey. Limited	
2 1 2 1 1 1 2 1 1 1 2 1 1 1 2 1 1 1 2 1 1 1 2 1 1 1 2 1	Australia (184) April, 1979
Financial Services	
	England, 19th December, 1973 510 000
Saturn Holdings Limited	CHENDING MED DECEMBER TOTAL
	THE PARTY OF THE P
Seturn Management Limited	England 4th December 1972
Sattiru Management Limited	England, 4th December, 1978 2100
Salaira Management Limited	England, 4th December, 1978 #160 ireland, 18th March, 1979 IR, 210,000
Salaira Management Limited	England, 4th December, 1973 £160 freized, 18th March, 1979 IR. £16,500 England, 28th May, 1975 £180
Saturn Management Limited Saturn Fund Management Limited Saturn Investment Management Company Limited	England, 4th December, 1973 £160 freignd, 18th March, 1979 IR £16,900 England, 28th May, 1975 £160 Boyland, 4th December, 1979
Saturn Management Limited Saturn Fund Management Limited Saturn Investment Management Company Limited	England, 4th December, 1978 2160 Ireland, 18th March, 1979 IR 216,900 England, 28th May, 1975 IR 216,900 England, 4th December, 1973 2160,000 England, 21st March 1973 216,000
Saturn Management Limited Saturn Fund Management Limited Saturn Investment Management Company	England, 4th December, 1978 2160 Ireland, 18th March, 1979 IR. 216:300 England, 28th May, 1975 2100

£100

£100 £1,700

M. W. Marshall (Starling) Limited M. W. Marshall (Currency) Limited M. W. Marshall (International) Limit

Eagland, 15th May, 1967 Eagland, 14th February, 1 England, 4th De England, 29th M Jazzev, 22nd Mar

Aug. 7-11 Aug. 9-10

Aug. 11—19 Aug. 13—16 Aug. 13—17

Aug. 26 27 Aug. 28 29

TK TRADE FATRS AND EXHIBITIONS

Title The Royal Tournament (61.826 500S) (britil July 28) The Royal Tournament (61836 60036 4mill July 28)
The World Wine Fair and Restival (Bristol 211617)
East of England Show (0733 234451)
Liverpool Show (651-724 2371)
Drag Resting and Custom Car Show (01-464 5445)
How to sell into the Common Market Englishmen
East Party (61-228 4444)
Middle Bast Business Expo 78 (01-586 5816)
Ast Brighton Antiques Fair (04568 22562)
Royal Welsh Show (Butlet Wells 3683)
Vendslyrooding Exhibition (01-261 8000)
British Hoster (5iffs Fair (01-855 4201)
Tyneside Summer Exhibition (6632 22520)
British Furniture Manufactrs Exhib (01-724 0851)
Custom Car Show (08833 4371)
International Motor Dyele Show 707-721 2156)
International Motor Dyele Show 707-721 2156) Earls Court Bristol Exbb. Centre Júly 17—19 July 19—21 Peterborough Liverpool July 23—28 July 24—29 July 24—26 July 25—26 July 27—82 Grosvenor House Corn Exchange, Brighton Builth Wells, Powys West Centre Hotel, Fulham

Newcastle upon Tyne Manchester Bristol Exbn. Centre

OVERSEAS TRADE FAIRS AND Wood: 78—The International Roserty Development, Timber Processing and Wood Working Exhibitions.

International Engineering Exhibition:
International Public Works and Municipal Services Exhibition—CIVICON (01-885 1937)

Horse Show (Dublin 680645);

Computer Exhibition (01-930 7955)

Austrian Timber Fair (01-584 69387)

National Hardware Show

ENVIRO 79—The International Environmental and Roserneering Exhibition

International Trade Fair (01-486 1851),
International Packaging and Food Processing Exhibition—PAEPROCESS (01-486 1951)

International Rain (01-734 0543)
International Fair (01-734 0543)
International Fair (01-734 0543)

Aug. 28—28 International Fair (01-734 0543)

Aug. 28—29 International Fair (01-734 0543)

Aug. 28—31 Financeutical and Chemist Supplies Exhibition

(01-986 1951)

Aug. 28—31 Electrical and Electronics Components Exhibition

Aug. 29—Sept. 12 Timbes and Woodworking Industry Exhibition

Aug. 31—Sept. 9. International Fair of Constinier Goods (04-874 6034)

EXHIBITIONS

Wembly Conference Centre

Melbourne

Olympia Olympia

Earls Court

Dublin Hong Kong Malmo

Frankfort Johannesburg Frankfurt Utrecht Gothenburg

BUSINESS AND MANAGEMENT CONFERENCES

Institute of Purchasing and Supply Oil—How Grosvenor House Hotel, W1 serious-a crisis? [Ascot 23713]

ASM: Management of the Brawing Office Piccadilly Hotel, W1 (01-385 1992) July 17-19 Benn Publications: Machinery, Adding Value and Singapore Marketing (01-353 3212) July 17-18 Offshore Centre: Off and Gas Developments and Regent Street, WI Energy Programmes in Argentina (0)7439 9021)

ICCI: Europe—Middle East Transport and Trade 69 Cannon Street July 18 July 18 LICCI: Europe—Middle East Transport and Trade

(01-248 4444)
Lloyd's of London Press—BILA London Colloquium 79 (01-353 1000)
The Institute of Metallurgical Tachnicians. Heat
University College, London
Treatment—Methods and Media (01-446 2251)
INCOMTEC: Product Liability—Law and Practice
in Britain and Abroad (0276 52577)
DIB: Speaking Course Based on Special Industrial
Subjects (00441 27671774)
CCC: A Practical Guide in Business Law in the Queen's College, Cambridge July 18-20 July 20: 4.1.... July 22-27 CCC: A Practical Guide to Business Law in the Queen's College, Cambridge July 22-27 Centre for Extension Studies Summer University of Technology,
Programme (0509 83171)
Pinancial Times Budget 1979—New directions for the British Economy (05235 4332)

BACIE: Training for the Office (01638 5351)

LANSA C. Housing for the Office (01638 5351)

LANSA C. Housing for the Office (01638 5351) July 23-24 July 23—27 July 24—25

LAMSAC Housing Management and the Regent's Park, NW1
Computer (01-228 2333) Computer (01-328 2333)
LAMSAC. Mini and Micro Computers in Local Regent's Park, NW1
Gevernment (01-328 2333)
Oye-BC. International Conference on Cohesive Churchili College, Cambridge
Sediments (01-342 2481)
Compower Basic Traines Programming Course Cannock, Staffs.
(Cannock 2511)
British Safety Council: Product Liability—Let the Hilton Hotel, W1
Sediments (01-741 3812) July 26-27

Seller Beware (01-741 3812) . MSS Computer and Business Consultancy. The Worthing Executive Secretary (Worthing 34755)

Regent Street, W1

49.0 per cent. K.D. 50.000.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial Typeside in TSL. TSL. TAXABLE TO THE DIVIDEND & INTEREST PAYMENTS the following is a record or the principal numbers and maneratengagement during the week. The Board meetings are mainly for the purpose of considering devidends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last

TODAY, JULY 16
COMPANY MEETING:—
TOOK Street Bureau, 115 Pall Mail SW, COMPANT TO THE STORY OF THE STORY STREET SHEEL THE STORY OF THE STREET SAFET LABOUR THE SAFET SA DIVIDEND & INTEREST PAYMENTS— aglo-American Secs Corp 41200Pt,

Anglo-American Secs Corp 41spcPt, 1.575pc. Ln. Zoc Associated Engag Ord 0.07p, 5tk Units 1.56p 8a58 2.1p 50c 1977-82 3pc. 3pc. 1975-85 Devenish (J. A.) 2.1229
Fortnum & Mason Ord 19.729
Fortnum & Mason Ord 19.729
General Funds Inv Trust SpcPf
Deb 24. 3pc
Industrial & General Trust Deb
(Cnv 60-80)
Jamaica 712c 1977-79 3*pc.
Kitchen Gueen 0.535p
Law Land 590Pf 1.75pc
Law Land 590Pf 1.75pc
Law Land 590Pf 1.75pc
MEPC 1.5p
MEPC 1.5p
Menagement Agency & Mosic 2.5 MEPC 1.5p — TIPICE INV Deb 21:pc Management Agency & Music 2.5125p Moda Brod Ord 2.278p North Surrey Water Deb 2. 24, 25, 35:pc Sanwal (N.) Ord & A 5.875p United States & General Trust 3p. SpcPf 1.75pc Wisan Inv 3.4550 1,75pc irgas inv 3.4pcPf 1.7pc TOMORROW, JULY 17 COMPANY MESTINGS— lifed Breweries, 20 Aldermanbury, EC. 2 30

2.30
Churchbury Estates, Consaught Rooms, Great Queen St. WC. 12.30
Dom Holdman, Great Eastern Hosel, Liverpool St. EC. 12.00
Handras Inv Trust, 41 Sishopsgate, EC.
Williams Law. pool St. EC. 12.00
Hambros Inv Trust, 41 Bishopsgate. EC. 11.39
Whithread inv. The Brewery, Chiswell St. EC. 12.30
BOARD MEETINGS—
Halle Colloids
Black Acress
Brotherhood (Peter)
HAT Gro
Heron Motor
Har Robinson
Magnet and Southerns
Oil and Asted. lav. Tst.
Stroud Riley Drummond
Trafford Carpets
Unigate
Unigate
Brotham Enes.
Glass Glover
MrM-lie Inv. Tst.
Yule Catto
DIVIDEND & INTEREST PAYMENTS—
Brothe Catto

MEMORY IN. 15.

YIS CARTO
DIVIDEND & INTEREST PAYMENTS—
BYUSH & AMERICAN FIRM 2.087579

KL-3.59
M & G SECOND DUAL Trust 2.710
M & G SECOND DUAL Trust 2.710
M & G SECOND DUAL TRUST 18

COMPANY-MESTINGS—
Alliance Inv. 1-2 Laurence Pountney Hill.
EC. 2.30
Sistehl Th. 99 Aldwyth. WC. 12.00
Brown Shioley, Founders Court, Lothbury.
EC. 12.30
Erown Shioley, Founders Court, Lothbury.
Continents stationery. 27 Eaton Piace.
SW 12.00
Courtailds. Europa Hotel, Grosvenor
Source W, 12.00
Desyon loterational. North British Hotel.

5° EC 2.30 Hall. Caxton St. ST data Mills), MERNON SW, 12.00 Fighrie, 20 Aldermanhury, EC, 11.30 Highems, Wood Nook Mills, Accringu

Over 5, up to 10 ... Over 10, up to 15

Unica Discound

w Lolicomburs

w Lolicomburs

knalish Calna Claya. 2.1175p

seevor Tin Mines 2.5935s3p

Mostorois Inc 30cts

Decara Development Inv Trest 0.67p

lime Products 4.8056p

reasury Six 91pc 1983 45pc

COMPANY MEETINGO—

Arribow bitraumines, The Salon Inn. Sib

Arribow bitraumines, The Salon Inn. Sib

St. Northameten. 12.00

Alone Soft Drinks. Richmond: Way.
Chalmaley Wood. Burmingham. 12.00.

Boots, 20 Addermanbury. cC. 17.00

Sgrmett & Hallamshire. Custers' Hall,
Church St. Sheffield. 12.00

Century Cits. Grand Hotel, Trinty St.

Hankey. Stoke-on-Trent. 12.00

Country & New Town Properties. 5-11

Agar St. WC. 12.00

Harrisons & Cross-id. The Bairte Exchange.

114-20 St. Mary Axe. 2C. 11.15

International Paint. Henrietta House. 9

Edghaston. Birmingham. 12.00

Lodder Chomas). Caurch St. Wairington.

Lodder Chomas). Caurch St. Wairington. 11.00
Normand Electrical Konsington Palsce
Hotel, De Vere Gardens, W. 11.46
Northern Securities W. 11.46
Northern Securities II S Finishury
Circus, EC. 12.60
Parker (Francis), Anistord Park Hotel,
Walberton, Arundel, West Sussex, 12.20
Pauls & Whites, Store Lodge Lone, Ingenich,
Suffelk, 12.15
Pension Fund Property Unit Tenne.

W. 11.33 WITH HOLD, POTTING Square.
Witan Jav. 17 Austin Franz. EC. 11.30
BOARD MEETINGS
ARIAN LONDON Props.
ASIAN Jondon Props.
ASIAN Jod.
AMANUT ASSETS TSI.
Benics
Denomination

Gomer, 191.

Southwast Frican Land Expire.

Southwast Free Expire. and Ming.

Yestern Ree Level;

DIVIDENC & MITEREST PAYMENTS—

Allower Sime 4.9056p

Bolts 3.59

Bolts 3.59

Bolts 3.59

Bolts 3.59

Bolts 3.59

Bolts 3.59

London Frudential Inv Irust 1.95p

London Frudential Inv Irust 1.95p

Moorhouse & Brook 3.96p, 7-pcPt 2.129pc

Morron Planations 5.905p

Warren Planations 5.905p

Warren Planations 5.905p

Warren Planations 5.905p

Warren Planations 5.905p

FRIDAY JULY 20

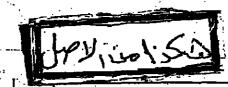
FRIDAY, JULY 20
COMPANY MEETINGS—
Hiam (J). Royal Victoria Hotel. Shesheld 12.00 Brent Walker, 23 Tower Place, Tower Hill EC. 4.30 Z.00 Board Meetings mmon Market Tst.

Lynton Nova (Jersey: Knit Wallis Fashion Interior:

Public Works Loan Board rates

Effective from July 7 13! 13 125

127 Non-quota loans B are 1 per cent higher in each case than nonquota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.



Tenneco inc



is our 33rd consecutive year of cash dividend payments

The 1979 third quarter dividend of 55¢ per share on the Common Stock will be paid September 11, to stockholders of record on August 10. More than 230,000 stockholders will share in our earnings.

M.H. COVEY, Secretary Oil - Natural Gas Pipelines - Construction & Farm Equipm Automotive Parts - Chemicals - Agriculture & Land Manage Packaging - Shipbuilding - Insurance

FINANCE FOR INDUSTRY TERM DEPOSITS Deposits of £1,000-£50,000 accepted for fixed terms of 3-10

years. Interest paid gross, half-yearly. Rates for deposits received not later than 20.7.79. Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (91-928 7822, Ext. 367). Cheques payable to "Bank of England, a/c FFL" FFI is the holding company for ICFC and FCL



Federal National Mortgage Association

Announces that it will now offer its Short Term Notes through the following Selling Group:

Bank of America NT & SA

A.G.Becker Citibank, N.A.

> Continental Bank Continental Illinois National Bank and Trust Company of Chicago Goldman, Sachs & Co.

> > Lehman Brothers Kuhn Loeb Merrill Lynch Government Securities Inc.

Salomon Brothers

July 16, 1979

Stude (Percy, 2.03200), Account you but Coolan Proble 2.25p Chamberlin & Hill 1.1.453
Chemine 0.8p, 0.85p
Chemine 0.8p, 0.85p
Chemine 0.8p, 0.85p
Chemine 0.8p, 0.85p
Docaristande Gold Mining 21.58277p
Dubilier 0.5916p
Duddee & London Inv 19
Elson & Robbins 1.509p
Sirg (Wimbledon) Deb 2-3pc, in 4-3pc
English & International Trucs, 3.2p
Firestone Tire & Rubber 27-Cts
Firestone Tire & Rubber 27-Cts
Grant Stockholmen in Trust 19
Grant Stockholmen in Trust

SATURDAY, JULY 21 DIVIDEND & INTEREST PAYMENTS— cheover Sta 104pc 1993 5 teps: st Cassle Securities 1,205s rismouth & Sunderland, Newspape 1991—

3.7981p SUPPLAY, JULY 22
DIVIDEND 6 INTEREST PAYMENTS—
Exchequer 5tk 131-pc 1987 £4.3142.
12pc 1999-2002 epr
Trespur Ln 13/apc 1997 6/apc, 12/apc
1992 6/apc

Mercantile House * Holdings Limited

The minimal associated companies, none of whose shares are listed on a stock exchange, are as follows: Place and Date of Incorporation GulfFinancial Services Limited Bahrain, 15th March, 1976 B.D. 50-000. 22.0 per cent B.D. 10,000, Bahrain, 6th April, 1976 Marshalis (Bahrain) Limited

· Kurant; 26th October, 1976

24.5 per cent. 228,000, Quest Fund Management (Jersey) Limited Jersey, 24th May, 1978 25.0 per cent. 5. Premises

The Congeny's head office at 66 Carmon Street, London EG4 is held on a lease of 15 years empiring the Held with tent reviews in March; 1883 and 1883. The present rent is £180,060 per annum. Marchalls London billoc is in an adjacent building at 52 Calmon Street on a lease for 26 years empiring in 1892, at a present rent of £112,000 per annum with rent reviews in June, 1982 and 1987. The aggregate floor area of these presents amounts to 21,000 square fact, which is sufficient for the Group's present requirements. Marchalla' New York office has a floor area of 11,150 square fact and is held on a lease for 10 years amounts. New York office has a floor area of 11,150 square fact and is held on a lease for 10 years amounts in 1886 at a present rent of U.S. 182,550 per annual. The Group's office plannings in 1866 at a present rent of U.S. 182,550 per annual. The Group's office plannings in 1866 at a present rent of U.S. 182,550 per annual. The Group's office plannings in 1866 at a present rent of U.S. 182,550 per annual the Group's office plannings in 1866 at a present rent of U.S. 182,550 per annual the Group's office plannings in 1866 at a present rent of U.S. 182,550 per annual the Group's office plannings in 1866 at a present rent of U.S. 182,550 per annual the Group's office plannings in 1866 at a present rent of U.S. 182,550 per annual the Group's office plannings in 1866 at a present rent of U.S. 182,550 per annual floor annual the Group's office planning in 1866 at a present rent of U.S. 182,550 per annual floor annual floor

10 Upon completance this Offer for Sale, the interests, all of which are beneficial, of the Directors may in the above regulation of the Company (excluding any Ordinary Shares which any of the Directors may purchase under this Offer for Sale) as they will appear in the register maintained under the provisions of the Companies Acts 1967 and 1976 will be as follows:

Ordinary Shares

B. B. St. J. Bertabire

M. J. L. Kelly

K. Honbesdon

D. G. Schotchbrook

P. G. Brimbridge

The Earl of Carriek

G. W. Fyle

M. A. Knowles

M. J. Pyle

M. J. Warren

M. Warren -25.918

(ii) Messer. Berkshire, Kelly, Hinghesten, Scotchbrook, Beinbridge, Knowles, Pyle and Warren Have entered into agreements with the Company under which they have agreed to serve the Group in first entered into agreements with the Company under which they have agreed to serve the Group in fifth fine executive Directors for a period of 5 years from 1st July, 1972 at salaries of £10,000 per announced, together with such bound or commission as the Board may decide in each year (being his less than between £4,500 and £11,600 per announced and particular Director). During the year entire the work of the work of these Directors who held office at any time during Directors (including pension contributions) of fires Directors who held office at any time during that year amounted to £120,500, Since the beginning of the convent year that have been 2 further Board appointments and, after taking into account the anotherments of these Directors, and the employments for a fall sear of those Directors appointed during the year model 30th April, 1979, the atgregate anotherments payable to the Birectors for the year annung 30th April, 1979 are estimated to be £173,000.

attricesses emologorous spayable to the Directors for the sear embing 30th April, 1980 was estimated to be \$173,000.

(iii) No Director of the Company has or had any interest in any assets which, within two years fore the date of this Offer for Sale, have been, of are proposed to be, acquired or displosed of by or elector of the Company; or any of its subsidiaries. No contract or arrangement subsists in which a Director of the Company is materially interested and which is significant in relation to the business of the Company and its subsidiaries taken as a whole:

Says for the interest of Electra Investment Trust Limited who will on completion of this Offer for Sale bynedicially own 774,400 Gadinary Shares of Zip each (excluding any Ordany Shares which may be purchased under this Offer for Sale), the Directors are not aware of any shareholdings which following the Offer for Sale will represent 5 per cent, or more of the issued Ordinary Share capital. Phys. F. Calot Equity Corp. ("Cabot"), which became a substantial shareholder when it sold to Marshalls the share capital of Lasser Brok., Inc. in suchange for shares of the Company, has agreed to self its entire shareholding pursuant to contract 8(iii) below.

Pan Arab Managamant KCSC

The following contracts, not being contracts in the ordinary course of business, have been entered into within the two years immediately preceding the date hereof and are, or may be material;—into within the two years immediately preceding the date hereof and are, or may be material;—into within the two years immediately preceding the date hereof and are, or may be material;—into within the two years into inch no which the property of the Company (2) Marshalls and (3) Cabot relating to the acquisition by Marshalls of all the issued shares of common stock of Lasser Bross, inc. in emphasis for the issue by the Company to Cabot of 560,000 Ordinary Shares of 25p each of the Company.

(ii) Lesse, dated 16th July, 1978, of 65 Cannon Street, London EC4 between (1) John Swire & Song Limited and (2) Marshalls, referred to in paragraph 5 above.

(iii) Agreement dated 11th July, 1979 between (1) R. R. St. J. Barkshire for and on behalf of the Vendor Shareholders and (2) S. G. Warburg & Co. Ltd. (the "Sale Agreement").

Agreement dated 11th July, 1979 between (1) R. R. St. J. Barkshire and Others (2) the Company and (3) S. G. Warburg & Co. Ltd., the "Subscription Agreement"). (v) Agreements dated 11th July, 1979 histogen (1) certain Directors and (2) the Company being the agreements referred to under paragraph 8(ii) above.

ant and Subscription Agreems S. G. Warburg & Co. Led. ("Warburgs") has agreed, subject to the Council of The Stock Exchange S. G. Warburg & Co. Led. ("Warburgs") has agreed, subject to the Council of The Stock Exchange admitting the Ordinary Shares of the Company to the Official List not later than 22rd July, 1979, admitting the Ordinary Shares of the Company (whose names and addresses are set out in a to paralyses from cartain chareholders of the Company (whose names and addresses are set out in a schedule to the Sale Agreement) a total of 1,380,500 Ordinary Shares at a price of 183 p.per share and to offer all such shares to subscribe 620,000 new Ordinary Shares at a price of 183 p.per share and appenses of and incitor sale to the public at 183p per share. The Company will pay the costs and appenses of and incitor sale to the impress in its share capital and the application for the listing of its Ordinary Shares, dental to the impress in its share capital and the application for the listing of its Ordinary Shares. its legal expenses and all accountancy expenses, the cost of printing, advertising and circulating this Offer for Sale, the fees and expenses of the Receiving Bankers and the Registrars and a fee to Warburgs. The aggregate costs and expenses payable by the Company in respect of the Offer for Sale are estimated to amount to £272,000. Warburgs will pay its own legal expenses, a fee to the brokers and commissions to underwriters of 11 per cent; on the Offer for Sale price of each share.

The Company may have been a close company as defined by Section 282 of the Income and Corporation Texes Act 1970 during certain periods since incorporation. Having regard to advice received, the Directors are of the opinion that, following the Offer for Sale, the Company will not be a close company.

Under the Subscription Agreement, the executive Directors have given appropriate taxation indemnities (inter alia in respect of income tax, estate duty and capital transfer tax) in favour of the Company and its subsidiaries.

The Directors have considered the possible effects of the system of inflation accounting proposed in Exposure Draft 24 issued by the Accounting Standards Committee of the professional accountancy bodies. In the opinion of the Directors, the effect on the calculation of the Group's earnings is unlikely to be significant. 12. General

(i) Neither the Company nor any subsidiary is engaged in or has, so far as the Directors are sware, any litigation or claim of material importance pending or threatened against it. (ii) No amount is required for any of the matters referred to in paragraph 4 of the Fourth Schedule to the Companies Act 1948.

(iii) Price Waterhouse & Co. have given and have not withdrawn their written consent to the same of this Offer for Sale with the inclusion of their report and the references thereto in the form next in which they are included. (iv) The documents attached to the copy of this Offer for Sale delivered to the Registrar of Comparties for registration were the written consent referred to in sub-paragraph (iii) above, the statement of Price Waterhouse & Co. setting out the adjustments made in arriving at the figures contained in their report (as set out herein) and giving the reasons therefor, and copies of the material

contracts referred to in paragraph 8 above. 13. Documents Available for Inspection The Sale Agreement and the Subscription Agreement, both dated 11th July, 1979; referred to in paragraph 9 above and copies of the following documents may be inspected at the offices of Slaughter and May, 35 Basinghall Street, London ECSV 5DB during many business hours on any weekday, Saturdays excepted, for a period of fourteen days following the date of this Offer for Sale:—

(i) the Memorandum and Articles of Association of the Company; (ii) the audited consolidated accounts of the Company for the two financial years ended 30th April, 1979;

(iii) the documents delivered to the Registrar of Companies mentioned in paragraph 12(iv) above; and (iv) the Accountants' Report. Dated 11th July, 1979.

Procedure for Application

Williams & Glyn's Bank Limited. New Issues Department, P.O. Bar 425, 67 Lombard Street. London ECSP SDL, will receive applications which must be for a minimum of 200 shares or for the following multiples of shares:— Applications for not more than 2,000 shares: in multiples of 200 shares.

Applications for over 2,000 shares and not more than 5,000 shares: in multiples of 500 Applications for over 5,000 shares and not more than 25,000 shares: in multiples of 1,000

Applications for over 25,000 shares: in multiples of 5,000 shares, Preferential consideration will be given to explications received from employees of the Group functioning executive Directors of the Company) up to a total of 200,000 shares if made on the special park, application forms made available to them. Such applications must be for a minimum of 50 shares, or for 100 shares and thereafter in multiples of 100 up to 2,000 shares, in multiples of 500 up to 5,000 shares, or in multiples of 1,000 up to a maximum of 20,000 shares.

Applications must be made on the accompanying Application Form and forwarded to Williams & Glyn's Bank Limited, New Issues Department, P.O. Box 425, 67 Lombard Street. London ECSP EDL together with a sterling cheque or banker's draft for the full amount payable on application so as to arrive not later than 10 a.m. on Thursday, 19th July, 1979. psyable on application so as to arrive not later than 10 a.m. on Thursday, 19th July, 1978. Each application must be accompanied by a separate cheque or banker's draft (drawn in sterling on a bank or branch thereof and payable in England, Scotland or Wales). Cheques must be made payable to "Williams & Glyn's Bank Limited" and crossed 'Not Negotiable'. S.G. Warburg & Co. Ltd. reserves the right to present all cheques for payment on receipt and to reject any application, in particular multiple or suspected multiple applications. S. G. Warburg & Co. Ltd. intends to clear the cheques of successful applicants and to retain Letters of Acceptance and surplus application moneys pending such clearence. Due completion and delivery of an Application Form accompanied by a cheque will constitute a warranty that the cheque will be honoured on first presentation; attention is drawn to the declaration in the Application Form to that effect.

Acceptance of applications will be conditional on the Council of The Stock Exchange admitting the Ordinary Shares of the Company to the Official List not later than 23rd July, 1979. Moneys paid in respect of applications will be returned if such condition is not satisfied by that date and in the meantime will be retained by Williams & Clyn's Bank Limited in a separate account. If any application is not accepted or is accepted for fewer shares than the number applied for, the application moneys or the balance thereof, as the case may be, will be returned through the post at the applicant's risk.

Arrangements have been made for the registration by the Company of the shares new offered for sale free of stamp duty in the names of applicants or persons in whose favour Legistre of Acceptance have been rengunced, provided that, in cases of renunciation, Letters of Acceptance (duly completed in accordance with the instructions contained therein) are lodged for registration not later than 5th September, 1979. Share certificates will be issued on 3rd October, 1979.

Copies of this Offer for Sale w	ith Forms of Application 2	any be obtained from:	
S. G. Warburg & Co. Ltd., 30 Gresham Street, London EC2P 2EB	Catenove & Co., 12 Tokenhouse Yard, London EC2R 7AN	Mercantile House Holdings Lim Mercantile House, 66 Cannon Scho SAE London ECAN SAE	1
فالعرب فيستحرص مستند	and the second	liams & Claris Book Finited	

67 Lombard Street. Williams & Glyn's Bank L. 20 Birchin Lans. London EC3P3DP and from Williams & Glyn's Registrars, Limited, P.O. Box 35, 31 St. Andrew Square, Edinburgh EF2 2AG, or 16 Old Broad Street, London EC2N 1DL and from the following branches of Williams & Glyn's Bank Limited:—11/12 Beanett Hill, Binningham 22 5RS; 35/83 Baldwin Street, Bristol BS1 1NR: 3/8 James Street, Liverpool LS 7PH; 38 Mosley Street, Manchester M60 2BE; and 6.7 Mulcaster Street, St. Helier, Jersey and from The Royal Bank of Scotland Limited, 98 Buchanan Street, Classons C1 2RA

	Oromary Spares now overed for sale w
r. 19th July. 1979 and	i may be closed at any time thereafter.
	-
rm, dvly completed	, together with a sterling cheque or bar
on a bank or branch	thereof and payable in England, Scotlan
"Williams & Glyn's	Bank Limited" and crossed "Not Neg

--- Application Form

nker's draft (drawn in id or Wales) mada paypayment in full at the application price, should be lodged with Williams & Glyn's Bank Limited, New Issues Department, P.O. Box 425, 67 Lombord Street, London ECSP 2DL not later than 10 a.m. on Thursday, 18th July, 187s. A separate cheque or banker's draft must accompany each application. No application can be considered unless these conditions are fulfilled. All cheques are liable to be presented for payment.



Offer for Sale by S.G. Warburg & Co. Ltd. of 2,000,000 Ordinary Shares of 25p each at 160p per share payable in full on application

★Number of shares applied for	★ Amount anclosed at 160p per share			
i i i i i i i i i i i i i i i i i i i	£			
Please fill in number of shares applied for and an				

Applications must be for a minimum of 200 shares or for the following multiples of shares. Applications for not more than 2,000 shares: in multiples of 200 shares. Applications for over 2,000 shares: in multiples of 500 shares. Applications for over 5,000 shares and not more than 25,000 shares: in multiples of 1,000 shares and not more than 25,000 shares: in multiples of 1,000 shares. Applications for over 25,000 shares: in multiples of 5,000 shares. Applications for over 25,000 shares in multiples of 5,000 shares. Applications for any other number of shares can be considered and the right is reserved to reject any application, in particular multiple or suspected multiple applications.

I/We enclose a cheque for the above mentioned sum k k, being the amount payable in full on application for the above stated number k of Ordinary Shares of 25p each of Mercantile House Holdings limited ("the Company"). I/We offer to purchase that number of such shares on the terms of your offer for Sale dated 11th July, 1978 and subject to the Memorandum and Articles of Association of the lompany and I/we hereby undertake and agree to accept the same or any lesser number in respect of which this application may be accepted. I/We hereby authorise you to procure my/our name(s) to be placed on the Register of Members of the Company as holder(s) of such of the said shares the ight to which is not effectively renounced, and to send a renounceable Letter of Acceptance in espect thereof, and/or a cheque for any moneys returnable, by post at my/our risk to the address iven in the box below.

I/We understand that due completion and delivery of this Application Form accompanied by a cheque will constitute a warranty that the cheque will be honoured on first presentation. I/We acknowledge that the Letters of Acceptance and cheques for any moneys returnable may be held pending clearance of applicants' choques.

Important...-To comply with the provisions of the Exchange Control Act 1947, the applicant(s) must make the declaration contained in the following paragraph or, if unable to do o, must delete such paragraph and arrange for this Form to be ledged through an Authorised Depositary? or an Approved Agent in the Republic of Ireland?. No application can be considered unless this condition is fulfilled.

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Monday July 16 1979

HI HIGGS AND HILL "A better way to build"

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NEB calls on Whitehall to finance titanium plant

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

aid should be provided as aero-engine production. quickly as possible to finance the construction of a titanium production plant in Hartlepool because no private sector finan-that would also include Rollscial institution has agreed to Royce and IMI, which is also

provide the money.

The plant is urgently needed to manufacture titanium for Rolls-Royce aero engines have following a decision by the present supplier. ICI, to with-draw from the business.

BY MAX WILKINSON

Board's plan to create a new

electronics holding company

out of its present portfolio is likely to be vetoed by the

The plan was suggested

recently by Sir Leslie Murphy, chairman of the NEB, in

response to Government pro-

posals to sell off some NEB

holdings to the private sector.

holdings in the electronics

sector are 50 per cent of Fer-ranti and 24.4 per cent in International Computers

It was suggested by the

NEB that these companies be

put together with other hold-

in computer program-

ming companies, Data Record-

ing Instruments and possibly

INMOS, the micro-electronics subsidiary, and NEXOS, a

new office equipment subsidiary of the NEB.

by the Department of Industry, which does not

BY DAVID FREUD

searched by the Inland Revenue

on Friday evening preventing the Inland Revenue taking any-

thing further from the Mayfair premises of Rossminster and

the connected A.J.R. Financial

The searches were conducted

by about 70 Revenue officials, helped by 28 Scotland Yard de-

The searches, which began at 7 am, took in the offices of the

two companies and the homes

formerly connected, with the

These included Mr. Tom Benyon, the Conservative MP

founder of Rossminster in 1973

and resigned as a director more

those of Mr. Ronald Plummer,

John Trotman, a former direc-

who used to be an associate.
Also searched was the home

Other homes searched were fraud:

tax fraud.

than a year ago.

The plan has been opposed

The two most important

electronics move

told by the National Enterprise on a foreign supplier for a Board that up to £20m of state material which is vital to UK Because of this, the NEB has

been trying to find private sector backers to join a consortium involved in the production

been approached and have had meetings with the have had meetings with the Government NEB and the Industry Depart-regional policy plans today, and makes clear what role the NEB provided in time to start production by 1982, Rolls-Royce will have to import titanium from Japan or the U.S., which would create technical problems. In addition, the Government of make a sizeable investment. As a result the NEB has told will play in the future of this type of project. A site has been earmarked for the plant on British Steel Corporation land in Hartlepool. Rolls-Royce, which is an NEB sought.

helieve the grouping could make a useful industrial unit.

The NEB's suggestion is

regarded by City analysts as

a defensive move in response

to the Government attack on

the industrial strategy role of

Ministers will be told that investors would be unlikely to

find a general electronics port-

folio as attractive as some of

the NEB's particular share-holdings, like that in Ferranti. Sir Keith Joseph, the

Industry Secretary, is expected to aunounce his general policy toward disposals by the

NEB in the next few days.

He is expected to ask for some

£100m to be raised, but it is

The Government legislated

The Revenue is believed to

have taken about 12 vanloads of

documents from the Ross-minster and A.J.R. Financial

Services offices before the in-

junction prevented further

the seizure is likely to be the

main grounds of the application

panies, Mr. Plummer and Mr. Tucker, will argue that the

officials took documents without

Section 20C of the Taxes Management Act, under which

the warrant was taken out, states that the officer may take

only those things "which he

may be required as evidence

for the purposes of proceed

in connection with tax

Yesterday the two companies

ledge of an offence involving

relation to tax.

Mr. Benyon said the Revenue

The indiscriminate nature of

The plaintiffs, the two com-

seizures at 6.30 pm.

the NEB.

regain seized papers

THE ROSSMINSTER group of which have embarrassed the

on Friday on the grounds of retrospectively against a suspected tax fraud, will seek scheme devised by Mr. Tucker

suspected tax fraud, will seek scheme devised by Mr. Tucker an injunction for the return of all seized documents tomorrow.

It will also apply for the extension of an injunction granted on Friday evening proventing.

Act.

tectives, under a warrant to main grounds of the applic search for evidence of suspected for injunctions tomorrow.

for Abingdon, who was a co- has reasonable cause to believe

director of Rossminster, Mr. emphatically denied any know-

tor and Mr. Richard Gardiner, fraud in connection with or in

of Mr. Roy Tucker, the tax had grossly over-used its

of five individuals connected, or reading them.

companies, whose premises were Inland Revenue.

THE GOVERNMENT has been ment might be reluctant to rely subsidiary, and IMI would also these are not expected to be much more than £2m or £3m.

It is understood that the NEB hopes a major financial institution might join the project later if the Government provides the

Precisely how the state aid would be provided depends on Major financial institutions what regional and other Government help is available after the Government announces its new

Oil licence Veto likely for NEB delays may stop new drilling

By Ray Dafter, Energy Editor

THE GOVERNMENT is close to announcing its decision on the future role of British National Oil Corporation. A Cabinet committee has already discussed draft proposals and details should be made known next

In the meantime, several oil companies have warned the Government that delays in the confirmation of new offshore licences — partly caused by the Conservatives' review of BNOC - may prevent them from beginning exploration work this summer.

unlikely that he will specify exactly how this should be A postponement of drilling The NEB will, therefore, activity would be an embarrassment to Mr. David Howell. have some freedom, but it Energy Secretary, who last week repeated his call to in-dustry to increase the pace of offshore drilling. He said it was "vitally important" that could not form a new holding company without Ministerial permission. This would almost certainty be withheld. No easy task to go private, Page 12 further exploration work should go forward.

At least six offshore groups Tax group applies to have told Energy Department Ministers and officials that they would be ready to begin exploration work as soon as the sixth round licence conditions

One group, led by a U.S. independent company, has almost charter arrangecompleted ments for a rig to begin drilling next month. That contract is

now said to be in jeopardy. At least three rigs may be lost to UK offshore drilling activity this year if the delay is prolonged. In some cases companies, not yet ready to begin drilling, are anxious to start seismic evaluation work so that exploration wells might be sunk early in next year's drill-

ing season.

The groups ready to begin work are among those conditionally awarded licences on 42 blocks on the UK Continental Shelf. They have urged the Government to confirm operating agreements and work programmes already worked out with the corporation.

But here the Department is in a quandary for it has not yet decided BNOC's future role.

The consensus view in the industry is that the corporation will be allowed to remain as a sizeable operating company, large y as a measure of oil

supply security for the UK. But a number of its privileges will almost certainly be axed, and it may be encouraged to sell off some of its interests to private enterprise.

Oil company executives have said that it may be disruptive to the industry to dismantle BNOC completely. But many have urged the Government to divest the Corporation of its monitoring powers and return the full watchdog role to the Department of Energy.

PLO likely to gain Ankara office after role in ending siege

BY METIN MUNIR IN ANKARA

THE PALESTINE Liberation Organisation stands to make considerable political gains from its successful role as mediator in negotiating the surrender early yesterday of the four terrorists holding 13 in the Egyptian in Ankara. Three hostages in Ankara. people died earlier in the 45hour siege. The Turkish

Government, which flew four PLO officials, led by Mr. Abu Firas from Baghdad to intervene, is expected to show its appreciation by allowing the PLO to open an office in Ankara. It had been dragging its feet on this issue

Mr. Bulent Ecevit, the Turkish Prime Minister, said: I would like to mention with Mr. Yassir Arafat, the PLO leader, and his envoys had exerted "extraordinary efforts"

to now to permit PLO representation because it believed Palestinian organisations had helped train left-wing Turkish militants. Mr. Firas, who held news conference at the Iraq Embassy after his mission, said that the PLO office in Ankara would be "opened within a few

It is unlikely, however, that this new move would cause Turkey to change its Middle

Mr. Ecevit, whose own political position is shaky, has also benefited. He handled the emergency with determination and diplomatic finesse, involvng such diverse powers as Iraq. Kuwait, Libya, Saudi Arabia and Syria in the effort to end

The four Palestinians, belong ing to a militant and obscure faction called "Eagles of the Palestinian Liberation" killed Later this week the first of the big four clearing banks, Lloyds; two Turkish policemen before storming the Egyptian Embassy. One Egyptian was killed when he leapt from a window and they should be very good. The combination of sharply higher another suffered fractures. Palestinians

announces its interim profit

figures and on all the evidence

interest rates and huoyant loan

demand should mean that in

aggregate, the four banks in-terim profits will rise by 50 per

For the full year analysts are

expecting an increase of around

a third for all banks except Midland, which has sold its profitable insurance broking

operations. Most assume that interest rates will fall fairly significantly later this year and

14 per cent, the bigger the profit bonanza for the banks.

hefty increases in dividend.

conservatism of seems most

unlikely that they will take any-big leaps at the interim stage. High profits tend to make the clearers embarrassed and with

delicate pay negotiations in

banks themselves and the stock

market is that it is very diffi-

It could be argued that dur-

again.

Underperformance

cent plus.

demanded an aeroplane to fly them and their hostages out of the country and called on Turkey to sever ties with Israel and Egypt.

Anthony McDermott adds from Cairo: The Egyptian Government, relieved at the outcome of the siege, has asked the Turkish Government to supply full details about the four Palestinian raiders. Dr. Mustafa Khalil, Egypt's Prime Minister special gratitude the great con- in statements yesterday gave tribution made by the PLO in an impression of reconciliation the way of avoiding blood- After threats of reprisals made while the siege was on yesterday, his government was not exerted "extraordinary efforts" now going to give official backso that the occupation "came
to an end without turning into
a big catastrophe," said Mr.

Ecevit.

Turkey has been reluction to a parameter of the parameter of th Organisation.

The attacks on Syria came about because the "Eagles of the Palestinian Revolution," has admitted openly being con-nected with "Saiqa," the nected with "Saiga," the Syrian-dominated group in the

There is little doubt that hostility towards the Palesof whom there are tinians about 80,000 in Egypt—has been considerably exacerbated.

President Anwar Sadat yesterday sent a message of appreciation to Mr. Ecevit for his Government's efforts. Dr. Khalil was adamant that no concessions had been made to Palestinian demands, in particular for the release of one Syrian and a Lebanese arrested in March and sentenced to life imprisonment in Egypt for arms smuggling.

Hope for Muzorewa in Kenya statement

BY OUR FOREIGN STAFF

in Rhodesia since the May elections, according to Mr. Mwai ence on Rhodesia. Kibaki, Kenya's Vice-President.

His statement is one of the most favourable yet by an African state about the new administration of Bishop Abel Muzorewa. It apparently comes as part of an attempt by the moderate African states to prevent this week's summit meeting of the Organisation of African Unity from coming out solicly in support of the Patriotic Front of Mr. Robert Mugabe and Mr. Joshua Nkomo.

Fir. Kibaki, who is represent-ing Kenya at the OAU summit in Monrovia, said his country was not satisfied with the new Rhodesian constitution and the manner in which the elections

were conducted.

But he added: "We now see Prime Minister who is an African. Africans in Rhodesia have participated in choosing the present members of parliament. So to us there is no point in anyone closing his eyes and refusing to see the new

He said Africa should not appear to be encouraging its people to fight each other and called for all the Rhodesian leaders to meet at one table to settle the problem constituionally. A number of moderate African states are reported to favour such a conference and Zaire said vesterday that it will ask the OAU to sponsor a conference of Britain and all the warring parties in Rhodesia.

more radical African states are reported to be con-sidering outright recognition

AFRICA must not close its of the Patriotic Front-a move eyes to the "very significant which would automatically pre-change" which has taken place clude any further OAU attempt to organise an au

> Mr. Mugabe and Mr. Nkomo, however, have told the Mozambican magazine, Tempo, that they would consider an all-party conference.

The next British move is expected to be the despatch hefore the Commonwealth Con-ference due in Lusaka on August 1 of its special envoy, Lord Harlech, for a further visit to the front-line states.

Weather

UK TODAY

DRY and bright generally some cloud and rain in Scotland. London, S.E., E. Anglia, S. and E. England, West Country. Midlands, Ch. Islands, S. Wales Mainly dry, bright periods. Max, 24C (75F).

N. Wales, Lakes, N.W. England Occasional drizzle becoming brighter. Max. 18C (64F). N. England, Borders, Edinburgh and Dundee, Meray Firth

Rain with some bright interals. Max. 19C (64F). Rest of Scotland, Orkney and Shetland, N. Ireland, I. of Man Cloud with rain and drizzle. Max. 15C (59F).

Outlook: Dry and occasional rain in north.

WORLDWIDE

1973 - 109 1973 74 75 76 77 78 dividend controls are ever re-

THE LEX COLUMN

Payout policy at

DIVIDENDS (net)

after a good first half, second half profit growth will slow imposed. down. However, the longer, minimum lending rate stays at.

banks were covered 6.6 times: on published earnings and after adjusting for a full tax charge But the big question mark hanging over bank shares at the moment has nothing to do with the cover falls only to 49 times. their immediate profitability but the cover rans only will rise considerably and on conservaconcerns their future dividend tive assumptions the banks policy. For several years howcould afford to increase their bank shares have under performed the market but so net dividends by oven a quarter without reducing their current far this year the FT-Actuaries banks index has risen roughly high cover levels. Similarly, if twice as fast as the market as one adjusts bank dividends for a whole. The hope is that inflation it can be seen that in higher bank profits will lead to real terms dividends last year were nearly a fifth below their 1973 level. Just to keep pace As yet the banks have said with inflation this means that remarkably little about what they plen to do about their dividends. Given their inherent the banks would need to increase their dividends by well

over a third in the current year. Even in the context of the bank's inflation adjusted earnings they still have plenty of leeway to increase their distri-butions. On the basis of a fulltrain they will not want to offer tax charge, 1978 dividends were hostages to fortune by covered on average 3.7 times immediately raising dividends with individual bank's coversharply. Better to wait till the ranging from 45 times in the end of the year and, likely as case of Barclays to 3.1 times in

not, most of the banks even the case of Midland Bank.
then will fudge the issue.

Among the four, Barclays and
The problem for both the Lloyds are best placed to give Lloyds are best placed to give away most — both have historical dividend cover of over cult to decide what is the five times fully taxed earnings, proper payout level for banks. By contrast Midland and By contrast Midland and National Westminster have ing the dark days of the mid- lower dividend covers and both holders for the money back via could easily argue that they rights issues. They will not need to retain more of their to make the same mistake earnings to pay for their pur-

So, with bank profits heading for a cyclical peak and likely to fall in 1980, banks may be encouraged to err on the side of caution with the current year's dividends. But the danger is that the banks may be so overcautious with their dividend increases that this could lead to another period of prolonged underperformance for bank shares especially if

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the Big Four hig U.S. hanks gives a possible clue. Citibank and Bank of America, for example, maintage a dividend cover of around 3.3

> However there are two reasons why both banks will be reasons why been banks will be reluctant to boost their dividends to this extent. The first is based on an emotive fear that large dividend mirrosays will further antagonise the critics of the bank a high profits. The second and more serious, worry is that trace they have substantially increased the payout profits might slump in the earlý 1980s

early 1980s.

It is much too early yet to forecast how the banks will fare moment brokers are assum On present form the banks that interest rates will be us On present form the panks that interest rates will be used have plenty of scope for raising in single figures next year and their dividends substantially preliminary estimates are that tast year the aggregate divibank profits will fall by 10 m dends of the big four clearing 20 per cent. This would still dends of the big four clearing 20 per cent. give higher profits in 1980 than

Double dividend

But U.S. banks differ for British banks in many ways and this probably includes attitudes towards acceptable levels of dividend cover. However stockbrokers Laing and Cruick shank have taken a stab at assessing the theoretical pos-sibilities and practical limits tions for UK banks dividends in a recent circu

According to L & C the banks should deduct the finance required for spending on their infrastructure and the mail tenance of their free entit ratio from their attributable profits. Assuming banks want profits: Assuming banks want to maintain a dividend covered twice by the balance of attributable profits L & C reckors that Barclays and Lloyds could easily double their dividends. This would put both shares on a yield close to 9 per cent at coverent proces. current prices.

The next decade

Looking beyond 1980 the out look for bank profits is much more hazy. There was a brief spell at the end of 1977 when interest rates fell to 5 per cent and the clearing banks found 1970s the banks overdistributed have made, or are planning, life distinctly uncomfortable and then had to ask share major U.S. acquisitions, so they since at these levels much of their clearing bank branch bush ness was unprofitable.

· If interest rates should ever return to these leve In arriving at their final divi speriods the banks would have to dend the banks will have to take undergo sume drastic surgety.

a number of factors into con These considerations will make sideration. The first and most the banks err on the side of obvious is that after years of carrion when considering their dividend restraint they once longterm dividend policy. How-again have to decide what is an ever a minimum increase of 25 adequate level of cover for divi-per cent in 1979 dividends dends Rules of thumb that would seem a reasonable target applied in the early 1960s may if the clearers do not want to no longer be suitable for the be accused of unnecessary 1980s. The experience of the parsimony.

adviser who has worked closely powers in collecting evidence with Rossminster to market a series of tax avoidance schemes advice personally. Regional industry aid cuts

help make up the target reduction in spending of 20 per cent. Sir Keith is expected to tion 8 of the 1972 Industry Act, schemes worth £300m for in-On selective aid under Sec-Sir Keith is expected to announce that existing applica-tions for aid under the £150m Selective Investment Scheme

will continue to be processed.

and that more aid will be allocated in the future on an ad hoc basis against strict This type of aid is used in investment projects into the making regional aid cuts. UK and persuade British com-

Several major investment improves."

announce that selective aid to be continued but will, in general, not be replaced when they expire.

The importance that industry places on the various forms of Industry Department aid are underlined today in a statement by the Confederation of British Industry.

It details a memorandum all areas of the country, topping sent a week ago to Sir Keith, up regional grants where they and says that the Government are available, to attract major should "exercise caution" in

But the CBI also believes that panies to accelerate their own "aid to industry should be profitability reduced

At present about 43 per cent schemes have been held up. At present about 43 per cent while Sir Keith has reviewed of Britain is designated as his policy. They include a £40m assisted areas, roughly comprisaid package for a £134m Dow ing everything north of a line strongly opposed, except in the Corning silicon development in

west of a line from Wrexham to Plymouth. This is the half of the country where Labour is strongest, and so the Opposition is certain to look at the proposals very critically.

The Government aim is to concentrate aid much more on areas of greatest need. Some areas might be upgraded. One obvious candidate would

be Corby, Northants, where the ending of steelmaking could push unemployment in the town over 20 per cent. The cuts in the qualifying

areas are being made by radi-

cally redrawing the map of assisted areas. Some deevlopment areas will be downgraded to intermediate status, and many inter-mediate areas taken from the

net altogether. This last step may not be Continued from Page 1

One factor industry will look for is the length of the transitional period in which grants will continue to be paid at the higher rate in the down-graded

The Tory election manifesto promised no "sudden, sharp changes." But six to eight months might be the minimum allowed if the Government is to make any real savings.

Today's announcements_are. likely to lead to a row in Parliament because the intention is to release the news in the form of a Commons written reply to a "planted" question. This would prevent MPs from directly questioning Sir Keith.

The Government's defence of such a procedure is that the package is extremely complicate and it is better for all the proposals to be published in detail before MPs debate them.

16th July, 1979 .

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